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First Session, 35th Parliament

Official Report of Debates (Hansard)

Tuesday 15 January 1991

Standing committee on general government

Organization

Residential Rent Regulation
Amendment Act, 1990



Chair: Remo Mancini
Clerk: Deborah Deller

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Journal des débats (Hansard)

Le mardi 15 janvier 1991

Comité permanent des affaires gouvernementales

Organisation

Loi de 1990 modifiant la
réglementation des loyers
d'habitation

Président : Remo Mancini
Greffier : Deborah Deller

Publié par l'Assemblée législative de l'Ontario
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Tuesday 15 January 1991

The committee met at 1030 in room 151.

ORGANIZATION

The Chair: The committee was called into in camera session this morning at approximately 9 am to deal with a proposal from the Chair as to extended sittings and changes in scheduling pertaining to Bill 4 and the proposed consultation paper that we are to receive from the government in the near future. The committee has dealt by motion and by vote with one of the items that has been put forward by the Chair. We did not get finished with the other items, so before we hear from the Honourable David Cooke, Minister of Housing and Municipal Affairs, it is incumbent on the committee that we finish the work that we commenced this morning and that we deal with the other six points that were placed before the committee this morning by the Chair. I believe we should move right into that discussion immediately.

Mrs Y. O'Neill: I would like to inform the people who are present of the motion that we did vote on in closed session. This committee met for an organizational meeting in early or mid-December and at that time there were requests made to us by the government to discuss a green paper as part of the time that has been allotted by this Legislature for our Bill 4 hearings. None of us—perhaps government members, but certainly not opposition, including House leaders—have seen this paper.

We ask you to try to accommodate as many people as possible. We knew there would be high interest in this particular bill. We, and certainly the House leaders, had no idea how high the level of interest was going to be on this bill. You informed us when you entered this room this morning that there are over 150 people in this province to this point, and let me remind the other committee members and those present that we have an advertisement out in the province that says they can submit requests until 27 January, which is two weeks from now.

We have always—and that has been the reputation of the Ontario Legislature—heard those who want to be heard. The rent review legislation went on over a two-month period. We have been asked by this government to talk to this bill, which has a very big impact and certainly has retroactivity involved, which is a new principle in government, and we are being asked to squeeze that into three weeks.

The motion that was put forward by Mr Abel, a member from the government side, that we do not even consider looking at three possible weeks between sessions, has been voted on, and I would like to inform those present that not one member of the opposition or the third party could support such a position. We discussed, previous to that motion's coming forward, that we were willing to meet evenings, Mondays, and yet we cannot get further

flexibility on something that nobody knows anything about at this moment.

So I find it difficult to discuss the other items when what I think is the key item has been deleted from your presentation. I will try in good faith to discuss the other six items, but certainly item 5, which has been deleted by the government, would have given this committee the flexibility and indeed the ability to hear all those who have wanted to be heard. That vote was not supported by the government.

The Chair: Ms Harrington moves that the proposals from the Chair with regard to the public hearings schedule for Bill 4 be considered and passed at this time.

We have a motion on the floor. We will give the clerk a chance to record the motion. The motion will be read; then I will open the floor for discussion.

Ms Poole: Mr Chairman, on a point of information: Would the member please clarify if she is talking about the Chair's recommendations with the deletion, as stated during in camera sessions, or is she talking about the original proposal?

Ms Harrington: The deletion has been made at this point.

The Chair: In a few seconds, we will have the motion for everyone.

When the motion is read, I would like to read the points so that we all have a general understanding of what we are voting on. Am I to also understand that some of the original changes to my point 1—should that be incorporated in your motion, Margaret? Do you want it to be exactly as I presented to you this morning, or with some of the changes?

Ms Harrington: With the changes that were proposed.

The Chair: With the changes that were proposed. That is fine.

Ms Harrington moves that the Chair's proposal with respect to Bill 4 hearings dated 15 January, as amended, be adopted by the committee.

That means, and I would like to read into the record, since we did not get a chance to do that this morning in closed session, that the following points are going to be voted upon as a group.

1. That the committee sit Mondays from 10 am to 12 noon and from 2 pm to 5 pm and further extend meeting times each day to 6 pm.

2. That consideration be given to a meeting in London, as there are a number of groups and/or individuals from that city who have indicated a desire to speak.

3. That the committee cancel trips to Sudbury or Thunder Bay and fly groups to Toronto.

There are currently seven potential witnesses in Sudbury and four potential witnesses in Thunder Bay and, as I mentioned to the committee this morning, we may further decide to have one of the hearings in Sudbury or Thunder Bay and fly the delegations from one of those cities into the other.

4. That we extend hearings in Ottawa into the evening of Thursday 14 February and the morning of Friday 15 February to accommodate the overflow.

Number 5 was deleted.

6. That we add from one to three night sittings, ie, from 8 pm to 10 pm, to accommodate those who cannot appear during the day; and

7. That we authorize the clerk to review the agenda with respect to time allotments given to organizations.

That is what we are voting on. That is what the motion is asking us to vote on. Is there any discussion?

Mrs Y. O'Neill: I am very happy with item 4, of course, because I do know that the city of Ottawa has very high interest. I would like to make an amendment. I would like to amend the motion as it stands in this public session of this committee that we add that we use the time of the weeks of 18 February, 25 February and 4 March to extend hearings.

The Chair: We will give the clerk a few moments to get the motion.

1040

Ms Harrington: On item 1, could we put "or 1 to 5 on Mondays"? I notice in item 3 you are fairly flexible, either one way or the other, so I think in item 1 we could say either 10 am to 12 or 1 to 5.

The Chair: If that is all right with the committee, the clerk will note that and will try to adjust the schedule accordingly.

Mrs O'Neill moves that the weeks of 18 February, 25 February and 4 March be used to continue hearings on Bill 4.

My advice from the clerk is that we can discuss the motion and the amendment together, but when we call for a vote, we will vote on the amendment first and then the original motion. But we can discuss both at the same time. Mrs O'Neill, you made the motion. You may want to say something in regard to your motion, and I also have a list.

Mrs Y. O'Neill: I made my opening remarks on this motion. I feel very strongly that this is a very important, fundamental change. Housing is certainly something that is near and dear and I feel we have three weeks between sessions when most of us have made a commitment to this committee and I certainly think we owe it to the people of this province to give them as much as possible in the way of time to present their views on this fundamental piece of legislation.

Ms Poole: I would like to support Mrs O'Neill's motion. It has become obvious that there are huge numbers of people on the waiting list to speak to this bill, and I am sure many of them are in favour of it, many of them are against. But the point is that if we are going to cut off public debate, then I think the people of this province will be asking how truly democratic we as members are.

Originally, we were hoping, although we felt it probably naïve, that we could accommodate people in four weeks of hearings. It has now become obvious that there are some 150 people who have, to date, put forward their names and in fact we have virtually two weeks more before presentation dates are shut off for people, so I think the list is going to be growing substantially from there.

If we are going to cut off discussion and not extend the hearings, then the basic question I have is, how do we determine who will speak before this committee and who will make the determination of who will not be allowed to exercise their democratic right and bring their views forward to this Legislature?

Mr Tilson: Speaking to both the motion and the amendment, I think that our party's position is that obviously there have been many, many applications that have been made to speak to this hearing, and there are a lot of disappointed people from all sectors, not only landlords but tenants, suppliers, people from all walks of life who wish to speak to these hearings, and they are being denied that right. I think our party's position is that we would recommend to the committee that we take whatever time is necessary to hear these people, and we would concur with your item 1 and the "as amended." In other words, I think we should be flexible. If it is required to sit in the mornings, we will sit in the mornings on Monday.

With respect to item 3, I think that people making calls have been discouraged because of lists being filled and I think that as more publicity is being given to these hearings, more people will wish to speak. I think it is premature to delete the committee travelling to other parts of the province. I think this is that serious an issue that affects the overall economy of the province. It is not a Toronto problem, it is a problem that affects the north, the east, the south. I would prefer that we continue our plan to attend both Sudbury and Thunder Bay, notwithstanding the fact that there may not be sufficient numbers with respect to Thunder Bay at this particular point in time. But I think as this committee proceeds, there will be. I am concerned that item 3 be inserted. I believe we should, for the time being, keep both those cities in place.

The Chair: Can I just interrupt for a moment so we do not lose track of what we are doing? I understand that you want to make an amendment to 3. There is already an amendment on the floor. Maybe your amendment will be viewed as a friendly amendment and we can expand the original amendment to include what you have just said.

Mr Tilson: That is right. It is a friendly amendment. Hopefully all members of the committee will concur that if interest warrants it, we will go to both of those cities. Obviously, if it is not warranted, we will not. Sudbury is another two weeks.

The Chair: That is what 3 says already. We are going to go if it is warranted.

Mr Tilson: Yes, but I think it should be clear to people in Thunder Bay and Sudbury that we are prepared to meet in those cities. I do not want the impression to be given by the committee that we will be cancelling one of those.

The Chair: Basically then, you just want us to be more clear in our wording.

Mr Tilson: Yes.

The Chair: Is that what the committee wishes, for us to be more clear in our wording in number 3? That is what we were trying to say to begin with.

Mr Tilson: I think the difficulty with point 3 is, the word "cancel" is the very first word and the impression is being left. Certainly the impression has been given to the two Davids, at least, that we would be cancelling one.

The Chair: Why do you not leave it to the clerk and let him figure out a more friendly wording. I have an understanding of what the committee wishes. I thought we had accommodated you, but if the wording is not clear maybe—Don, did you have a comment on this particular point only?

Mr Abel: Yes, as a suggestion, if we added "if necessary." Begin item 3, "if necessary." I think that would address Mr Tilson's concerns.

The Chair: That is what we will do. The committee is all agreed we do not need any formalities on this, so we will proceed right along. Mr Tilson, I cut you off. Can you please proceed.

Mr Tilson: With respect to the amendment which our party is concurring with, I think it is simply preposterous to plan a debate on a discussion paper that has not even been released. We look at the notes on the minister's speech, specifically page 4, which he will be presenting shortly, where he indicates that the committee would consider his ministry's consultation document on a permanent system of rent control to be released next month. That is even prior to this vote being taken, and I think it is absolutely preposterous.

The Chair: We are really pressed for time. I would rather not discuss the minister's speech. We will have the time after. Could we just contain our comments to the work that the committee must vote on within the next few moments?

Mr Tilson: I think you have just made my point that it is preposterous to get into the discussion paper before it has even been introduced. Certainly as far as our party is concerned, we will be wholeheartedly supporting the amendment. Time is needed. Those weeks that have been listed in your point 5 are desperately needed. If they are not used, there will be a great number of people from all walks of life across this province and in the Toronto area at least who will not be heard.

I think if the clerk were to list those off, there have been people calling my office who have asked to be heard and who are complaining that they are not being heard. I think it is incumbent upon this committee to do its best to expand the dates—and those dates that have been suggested in the amendment are most appropriate—and to put off the general discussion paper which has not even been introduced. We do not even know what it is. I am willing to bet that the government has not even seen this. My guess is that it does not exist and they are still working on

it, so how we can plan to discuss something that has not even been created is absolutely preposterous.

With respect to other items that perhaps should be considered, I would like to hear your thoughts, Mr Chair. There were suggestions in the private session meeting that perhaps consideration would be given to meet if necessary in other cities or other locations.

The Chair: As a point of information, it has been recommended to me that we consider Peterborough and Hamilton, but under the conditions and the instructions that I had previously received from the committee, that was impossible.

Mr Tilson: I think our obligation is to make ourselves available to the public. I was not present at those meetings, and I would wholeheartedly concur, as the clerk is saying, that there are—and from my list that has been presented to me in both of those areas that have been listed, it is warranted to me to know cities. I would hope that this committee would so meet, and unless the government representatives are prepared to concur, I will be making such an amendment. If the clerk is telling us now that those cities warrant attending, then unless the government concurs with that I would be making such an amendment.

1050

My final point is that we are making some substantial changes to our procedure. I guess this a question to the clerk or yourself: I would assume that further advertisements will be placed in the newspapers confirming the changes of times and expanded times being suggested by your recommendations.

The Chair: We can discuss that matter in a few moments, if you wish. I have a running—

Mr Tilson: Again, there does not appear to be concurrence with expanding those. If there is concurrence, then that is—

The Chair: We have not voted yet.

Mr Tilson: But if there is not going to be concurrence in expanding to those cities, I will be making an amendment that those cities be added.

The Chair: We will take that as a notice of motion. My list reads Ms Harrington, Mr Drainville and Mr Mamoliti.

Ms Harrington: With regard to the previous speaker's considerations, I believe the government side would concur with any necessary rearrangements if the clerk finds there are sufficient requests. We will certainly be open to whatever the clerk suggests would be the best way of dealing with it. First, I want to mention—

Mr Tilson: On a point of order, Mr Chairman: Does that mean she is concurring that those cities be added now?

Ms Harrington: If the clerk finds it necessary.

The Chair: I will review the list with the clerk, and we will report back to the committee.

Mr Tilson: But just on a point of order: It is my understanding that there are sufficient names to warrant those cities now.

The Chair: My understanding is that there are 11 in Hamilton and four or five in Peterborough, but that was before the committee said anything public about actually holding hearings in those cities. If the general public finds out that the committee is going to those cities, then the numbers of delegations would probably expand.

Mr Tilson: From the calls that have come to my office alone, the numbers would warrant both of those cities.

Ms Harrington: All I was saying is that we are open on that to the recommendations from the clerk.

I want to start with the point of order when the original amendment was made. It is my understanding that this committee had already decided this and that if a committee decides section 5 should be included that is a decision, and to go back and then put it as an amendment is really wasting time. Second, this decision with regard to when the discussion paper would be brought forward was dealt with by a vote of this committee before Christmas, so that is twice that this particular thing has been dealt with.

The Chair: Can I make a comment on that? In consultation with the clerk, the clerk informs me that the amendment to the motion is legal.

Ms Harrington: I see. I did want to point out that it was going over ground that had already been decided by a vote.

To address the motion, this government realizes that a lot of people want to make submissions to this. It is very important that we hear everyone in Ontario who wants to speak to us. For that very reason we are trying to bring forward the discussion paper as soon as possible. The discussion paper will present options which are for the long-range permanent legislation on rent control. We want to hear people on that as well as Bill 4.

Mr Tilson: On a point of order, Mr Chairman: I do not understand how we can be discussing a paper that does not exist.

The Chair: Order. That is not a point of order.

Ms Harrington: I want to finish by saying that consultations with the public are going to be ongoing through the spring and summer and that the point of bringing in the discussion paper sooner than expected was to get the long-range legislation in place during this year instead of waiting a two-year period. We hope this is what the people of Ontario want, to get the long-term, permanent legislation in place and to hear from all of them this year, as soon as possible, this winter, spring and summer.

Mr Drainville: First, let me begin by saying that the comments that have been made up to this point about denial of people's rights are a little hard to take. The reality is that the government members on this committee have indicated from the beginning that we are willing to spend as much time as is necessary to discuss this issue, and that includes sitting on Mondays, sitting any night of the week and sitting on Fridays. We are willing, and we want to have as many groups and individuals who are concerned with this very important issue come before this committee so we can do our best to ascertain the realities out there and how this legislation will affect the people of Ontario.

Let me be clear, also, about the amendment that has been made here today. The amendment itself reopens the issue that was decided in December and decided just a few moments ago when we deleted section 5 of your motion. The amendment again deals with the reality that we, as a government, in negotiation with the other parties through their House leaders—which they keep on forgetting—agreed that we needed to have time to look at this consultation paper.

The reason for the importance of that consultation paper perhaps is lost on a number of people, perhaps even some members of the standing committee. The importance of that consultation paper is the fact that this moratorium is a move which we want to limit as much as possible. We do not want to see the moratorium maintained for any great length of time. Rather, what we want to see is that new legislation be drafted and presented to the Legislature at the soonest possible convenience. To do that, we need to expedite matters and the discussions by ensuring that we begin to look at this consultation paper as it comes to this committee and as it begins its rounds of the province. The importance to us, in terms of how we are approaching this is that we see this consultation paper as absolutely essential to the establishment of new legislation which will have far-ranging effects for the people of this province.

Finally, let me say that we, on our part, are deeply committed indeed to hearing as many proposals, as many positions as are presented to us. We are willing to sit exceedingly long hours to accommodate that. As to the motion as it has been put forward, we are willing to allow the clerk to make dispositions as to who can come before the committee. She has done a wonderful job to this point in trying to help us with that process and we have great confidence that she can continue to do the same.

In closing, the other thing I want to draw to the attention of the members of the committee is the fact that there are presently discussions going on among the parties as to the week of 4 March indicating that we will probably not be sitting in any committees that week. Those negotiations have to do with the three caucuses and the retreats they will be having. In terms of the amendment that is being made, in all probability we will not even be sitting during that period. That also affects, by the way, the consultation paper, because if we were to do the consultation paper we would not have that week, either. It is important to have that kind of information in the committee so that people know our time is always going to be limited no matter what we do and what dispositions we make as members of this committee.

Mr Mammoliti: There is a cry out there to get some legislation through. The cry is from the public. Tenants and landlords are both saying, "We need some legislation that basically protects both of us." The government and the minister want to do that. We understand that, on this side. We also understand that there is government process and how important it is for this committee to have input on discussion papers. That is why we have agreed as a committee to set three weeks aside to talk about the discussion paper. We talk about the government process and how

important that is and we really do feel strongly that it is important for this committee to have input on that.

We also believe there is enough time after today to listen to the public. Let me also state that there will be more consultation during the summer. We have said that from the start; we have said that we are going to be going out and speaking with the public. The public will have another opportunity to speak to us. The legislation is very important and the public expects something and wants us to expedite things and that is how we feel.

100

Mrs Y. O'Neill: We know we have a new government in this province. We know one of the words this government uses over and over in describing itself—itsself, I repeat—is “open.” The committee structure of this Legislature is one of the very few places where the public of this province can have access to legislators. They have access to us in various ways, whether that be when we speak in a formal way or when they come into our constituency offices, but for the most part to get three parties together in one room and have their full attention and an opportunity to discuss, the committee structure—many legislators like the committee structure better than any other work they do for that reason.

We have the opportunity, and it is an opportunity, when the House is not sitting to have new freedoms. We have the freedom to travel; we have the freedom to sit longer and we have more uninterrupted time. This is the big move for committee work, between sessions. We have already heard many people in this room say today that there are cities that are not being heard from where Bill 4 is a big issue. Hamilton is certainly one and I personally have had requests from the city of Peterborough. Those have come.

There have been statements made by government members that this decision was taken in mid-November and that discussing it now is a waste of time. Although I have had other responsibilities at Queen's Park, I have not had responsibility for housing. I did not know the interest would be so high in my own city, and indeed I am getting requests from other parts of the province on this item. We have new information. As legislators we will always have new information, because we deal with people and people's needs change. Sometimes they change more quickly than other times. Today, when we have the first opportunity to come together since the Christmas holiday and, more important, since the ad went into the papers, we have new information. I remind this committee again that we have two more weeks for the ad to circulate during which we will give them consideration. We have at this moment 150 people who still have not been given a time slot. Those are the points I want to make about that.

This government came into office. Many things were said over the summer about housing, and the first thing we are presented with formally in the Legislature on housing is Bill 4. Bill 4 happens to be a moratorium and, may I add, a moratorium that has a clawback or retroactivity. Bill 4, once presented in the House, gained a lot of interest. That was the government's choice. The government could have chosen very easily to present its new legislation,

which we hear is in the form of at least a draft consultation paper now, but that was not what happened. We had something else happen. So, as is always the practice in the open Legislature of Ontario, Bill 4 gets sent to committee.

But all of a sudden, Bill 4 is not really that important. We are not going to discuss it nor are we going to have hearings on it. We are going to go to something that is more important, more long-ranging. We are going to have a discussion paper, and we are therefore going to take the time I have described so well is so important to the people of Ontario to do something that is perhaps what we as a government—speaking now from the NDP perspective—consider to be more important than the legislation we have already put forward. I am suggesting that the government members on this committee and perhaps government members in general find that Bill 4 is relatively insignificant, not important.

We have three weeks to hear it. The rent review legislation in this province, as I said earlier today, took more than two months of day-after-day hearings across this province. This is much more significant than has been determined, I consider. So I am moving my amendment and I continue to feel it is very significant, because I do not think we should be hurrying these hearings. I think we have important discussions to respond to and to hear from people and see what the needs are both of tenants and of landlords. I have heard from both; in fact, although this government says not, I have heard from public housing.

Mr Brown: I am deeply concerned with democracy and open, accessible government, something the people on the government side, the NDP, ostensibly are for. It strikes me as passing strange that the first set of public hearings the Legislature will have in committee is the ones on Bill 4. As we have heard from numerous people here, these are the shortest hearings in the history of this Legislature on an issue as important as rent control. This bill affects literally millions of Ontarians. It affects people who will not get repairs done in their units which they need done, it affects landlords, it affects many people. There are many views both pro and con and we need to hear them.

I find it really quite suspicious that the government does not want us to discuss this in open session. They think that because we decide this in a secret committee meeting, we should not be talking about it now. I am really quite upset that this government seems to say one thing and wants to do another. I think it is not unreasonable. The Legislature has given us six weeks to hear the views of the people of Ontario. Why can we not do that?

Maybe some of us are suspicious because we have read the Agenda for People. We understood your philosophy, and your philosophy is Bill 4; it is nothing beyond Bill 4. Your promise to the people of Ontario was inflation increases once a year. That is it. That is what Bill 4 is, although Bill 4 may not even be that. That is your promise to the people of Ontario made in an election. That is your promise, so that is what Bill 4 is. This is your party's policy. This is it. There is no other.

Your minister is going to come in here and give us a little tap dance and say we are going to now have consultation, but I will tell you, Bill 4 is here and if he never gets

around to putting legislation before the people, he will have kept his promise to the electorate of Ontario if he never does a thing. You can wonder. People in Ontario are a little suspicious about that. We are suspicious about your agenda. We are suspicious about what social democrats believe by keeping their promises, what they believe when they say "open and accessible."

And when you believe that, having an opposition as you do right now, an opposition which has agreed to more in terms of flexibility, in terms of hearing groups, than your party ever would when it was sitting on this side of the House—we have been far more reasonable than anyone else or at least you would have been over here. If you do not believe that, go read the committee transcripts of previous parliaments.

This is the most draconian step of a socialist government that we have seen, and it is now time for you to rethink your position and say: "Let's have the full six weeks. Let's let the people of Ontario talk about this legislation. Let's give democracy a chance. Let's do the right thing."

1110

The Chair: I have the following on the list: Mr Tilson, Mr Drainville, Mr Mammoliti, Mr Turnbull. I want to inform the committee that the minister has also told me that he would like to get on this morning if it is at all possible. My job as the committee Chair is to allow full and complete discussion. I think we are getting to the point where I can say that we have had full and complete discussion. I would prefer that we not extend the list but I am at the hands of the committee. I am asking for your co-operation.

Mr Drainville: I am willing to drop off, Mr Chair. We certainly have heard the issues over and over again for the last nearly three hours.

Mr Mammoliti: I too, Mr Chairman.

The Chair: So we have Mr Tilson, Mr Turnbull and Mr Duignan to hear from.

Mr Tilson: I do not wish to debate the matter further other than to make the amendment that I had proposed to, if anything, put Hamilton and Peterborough on the same footing as other cities that we are attending. I am pleased that the government is concurring with that amendment.

Accordingly, I would move that the hearing schedule be amended to have dates added to this public hearing to meet in Hamilton and Peterborough, after, of course, discussion with the clerk and yourself. Obviously, if the two of you conclude at a later date that they are not warranted to meet—

The Chair: Instead of making a motion, why not leave it in our hands? I understand what the committee wants. I have got a good appreciation of what has been said this morning.

Mr Tilson: Mr Chairman, I am concerned specifically about Hamilton, because I know there are a great number of people in Hamilton, and obviously a request has been made. I would like it on the record and I would like a vote. Are you leaving it open-ended? Obviously if you and the

clerk feel it is not warranted, that could be discussed at a later date, but I do want it added on to the list of cities that we—

The Chair: What we have is a motion on the floor. We have an amendment to the motion on the floor. It is not—

Mr Tilson: Can we make another amendment, Mr Chair?

The Chair: No. We cannot make another amendment when we have an amendment to the motion already on the floor. We can do it later on. We have to get one out of the way. But I have heard you and I will try to accommodate the committee. It is just a matter of finding a day to sit in Hamilton.

I am informed by the clerk that the numbers in Peterborough are three. That may grow if there is indication that we are going to go there. There are sufficient numbers to go to Hamilton. I have heard the committee, and the clerk and I will try to work it out. If you want to make it more formal later on, we can, but we have a motion on the floor and we have an amendment to the motion. We cannot have a further amendment on the floor.

Can we please proceed? Mr Turnbull and then Mr Duignan.

Mr Turnbull: I would like to catch on the comments of Mrs Harrington and Mr Drainville. They have said that the government wants to fully hear those people who wish to be heard, and yet we seem to be going around the floor ad nauseam talking about the fact that it is unreasonable to bump the discussion of the green paper.

Surely, to the extent that if we cannot book through the clock time to hear all of the people wishing to be heard, can we not now have the agreement of the government that it will at that point extend the hearings into the time that had been allocated for the green paper discussion? We have many owners of properties in this province who, due to the retroactive aspect of this legislation, are facing bankruptcy, and I emphasize literally facing bankruptcy. Surely, we owe the people of this province enough time to stop people going into bankruptcy. I am very disappointed if we cannot have the agreement from all sides that we will encroach by at least a week to hear people's just concerns.

The Chair: Your point has been duly noted.

Mr Duignan: I support Bill 4 because there are one million tenant households in Ontario that are crying out for justice and equality. Our government knows the financial damage being caused to tenants because of the existing Liberal law. We know the unfairness the tenants face when they have to pay high, double-digit rent increases because of the speculative prices paid for apartment buildings and such and we know that that unfairness has to end. I believe Bill 4 is a necessary piece of temporary legislation.

The Chair: The Chair is going to call for the amendment to the motion. I would ask the clerk to read the amendment—

Mrs Y. O'Neill: I am requesting a recorded vote.

The Chair: A recorded vote has been requested on Mrs O'Neill's amendment. The clerk will read the amendment to the motion.

Clerk of the Committee: Mrs O'Neill moves that Ms Harrington's motion be amended by inserting the words 'that the weeks of 18 February, 25 February and 4 March be used to continue hearings on Bill 4.'

The committee divided on Mrs O'Neill's amendment to Ms Harrington's motion, which was negatived on the following vote:

Ayes—5

Brown, O'Neill, Y., Poole, Tilson, Turnbull.

Nays—6

Abel, Drainville, Duignan, Harrington, Mammoliti, Ward, M.

Mr Tilson: I wish to make a further amendment, and that is that the hearing schedule be amended to have dates added to this public hearing to include the cities of Hamilton and Peterborough after consultation with the clerk and the Chairman.

The Chair: Can I make a comment?

Mr Tilson: I am always willing to hear comments from the Chair.

The Chair: Unless we get extra days, how do we—

Mr Tilson: I have put that in the motion quite purposely.

The Chair: The clerk will write the motion and the committee will decide in a moment's time.

Ms Harrington: I would point out that we do have the Mondays that we mentioned for days.

Mr Duignan: Or Fridays.

Ms Harrington: And Fridays.

The Chair: There are two options: Monday and Friday.

Mr Abel: Plus the extension to 6 o'clock.

The Chair: Mr Tilson moves that Ms Harrington's motion be amended by adding that hearings be scheduled in Hamilton and Peterborough after consultation with the clerk and the Chair.

Mr Tilson: On dates to be added.

The Chair: We will reread the amendment to the motion so that we have the exact wording.

Mr Tilson moves that the motion by Ms Harrington be amended by adding that hearings be scheduled in Hamilton and Peterborough on dates to be added after consultation with the clerk and the Chair.

Mr Mammoliti: Point of order.

The Chair: Yes, discussion on the amendments.

Mr Mammoliti: On a point of information, Mr Chairman: Dates to be added. Can the mover just clarify what he means by that?

Mr Tilson: I repeat what I said at the outset: Whatever is required to hear people from Hamilton and Peterborough. Obviously, if there are dates that are unavailable—I think Mr Drainville mentioned some dates that are

impossible to meet on in March, and I understand that—but dates that presumably would be agreed upon by all three parties.

Mr Drainville: Mondays, Fridays, whatever.

Mr Tilson: I would not rule that out, but I do want it clear that those dates are to be added. If Mondays and Fridays are available then we will meet Mondays and Fridays. If it means meeting after the five-week schedule, then it would be after that time. Obviously, we have to see first of all whether those cities, particularly Peterborough, warrant it. We know that Hamilton does now.

Mr Chair, before I forget, I would also add, of course, that would not rule out Saturdays. I mean, if people are—

Ms Poole: How about Sundays?

Mr Tilson: Well, no. We are opposed to Sunday meeting in the same way we are opposed to the Sunday shopping legislation or lack of it.

1120

The Chair: We are pressed for time. Let's get right to the point, please.

Mr Tilson: I would request that this amendment be a recorded vote.

The Chair: You are asking for a recorded vote?

Mr Tilson: Yes.

The Chair: We are going to re-read the motion so that we all know what we are voting on and a recorded vote has been requested on the amendment to the motion.

Clerk of the Committee: Mr Tilson moves that the motion by Ms Harrington be amended by adding that hearings be scheduled in Hamilton and Peterborough on dates to be added after consultation with the clerk and the Chair.

The committee divided on Mr Tilson's motion, which was agreed to on the following vote:

Ayes—11

Abel, Brown, Drainville, Duignan, Harrington, Mammoliti, Murdoch, B., O'Neill, Y., Poole, Tilson, Ward, M.

Nays—0

The Chair: The amendment has been carried. I would like to go right to the original motion. I would ask the clerk to read the original motion to be followed by a vote.

Clerk of the Committee: Ms Harrington moves that the proposal with respect to Bill 4 hearings dated 15 January as amended be adopted by the committee.

Motion agreed to.

MINISTRY OF HOUSING

The Chair: We have dealt with the first order of business. We are now going to hear from the Honourable David Cooke, Minister of Housing and Minister of Municipal Affairs. As has been the custom in all committee hearings, once the minister is finished, then the two opposition critics will have an opportunity to put forward their views. We thank you, Minister, for joining us this morning. We did not get you started right on time, but the committee had some difficult matters to decide. We are glad that you are here and we are happy to hear from you.

Hon Mr Cooke: Thank you very much, Mr Chairman. I will do my best to stay as long as I can, but I had scheduled the opportunity to be here all morning and I thought I would hear the opposition responses at that time. I do have some difficulty with staying much past 12 noon because of commitments that I have made with major groups in Ontario, people who are travelling in from outside of Toronto to meet on issues. If I am not here to hear the entire responses from the opposition critics, I can assure you that I will read them and apologize now for being absent.

I am pleased to have the opportunity to appear before the standing committee on general government. Today we begin a process which, I think it is fair to say, will have a tremendously positive effect on the wellbeing of the citizens of Ontario. There is no doubt that rent regulation is an important issue to many people in our province. There are few other consumer protection initiatives which have such a fundamental and direct impact on people's day-to-day lives.

Let's look at just a few examples of the way the current system of rent review has worked in a cross-section of Ontario's rental market. At one address in Kingston, the rent increase ordered at rent review amounted to over 224%; at another location in Warkworth, the increase was over 192%; there is an instance in Ottawa where the rent increase ordered was almost 189%; here's a case in Timmins, where the rent was increased by more than 176%, and another in Cambridge at almost 156%. We all, as politicians and as MPPs, have had many experiences of our own constituents and other examples of substantial rent increases.

Obviously, the current system of rent review did not serve the purposes for which it was intended: protection of tenants. We have begun to build a new system of rent regulation in Ontario, a system of rent control, a fair and simple system which will provide real protection for tenants.

Bill 4 and this committee's review of it are part of the process of moving to rent control. This committee will also have ample opportunity to have direct input into the long-term rent control policy. It is my hope that this process can be completed within one year and that a new rent control system will be in place in early 1992.

During this time, we plan intensive consultation with the public. This issue deserves public input, and I am also sensitive to the concerns that we move as quickly as possible to reduce uncertainty in the minds of tenants and landlords. I want to work with you and with the public to put permanent legislation in place just as soon as possible.

Given these objectives, we have planned for public input which is meaningful and mindful of the circumstances of tenants and landlords. Allow me to tell you something about the consultation we have in mind.

As you know, this committee will consider Bill 4, the temporary moratorium, and will be holding public hearings in several locations across the province. I understand that the committee will then consider the consultation document on a permanent system of rent control to be released next month. During March and April, I will also

be touring the province to talk to landlords, tenants, municipalities and interested individuals on the design of the new rent control system.

Based on those consultations and your report, I will be introducing legislation for the new system. To move ahead more quickly, I am targeting early June for the first reading of the new legislation, and second reading before the summer break. During the summer, that rent control legislation will be referred to a legislative committee for further public hearings. Finally, by end of the year, the legislation should be back before the House for third reading, before the end of 1992.

It is an intense schedule, I realize, but I believe it meets the needs for public consultation on what is clearly an important issue. I think this allows for a great deal of input from members of the House and members of the public. It also allows for a new system to be in place in about a year. I want to work with all of you and the public to make this happen.

I can point out that I understand the concerns that the opposition has as well as concerns of my own caucus and myself about the tight time schedule, but it is very much a balance between what you and we would like to see happen. We can have the current moratorium legislation stay in place for another six months or eight months, or we can look at this as being the first step of consultation, then consultation on the document, then second reading debate on the permanent legislation, then extensive public hearings during the summer on the new legislation, and then third reading debate in the House.

If you add up all of those weeks, plus our own consultation which my parliamentary assistant, Ms Harrington, will be involved in as well, but if you add the weeks up of this committee, we are looking at probably around 10 or 11 weeks of public hearings on rent control between now and the summer. I think that is a significant commitment by this government and by this Legislature to ask for public consultation and public input in developing the permanent system, at the same time as an attempt to get the permanent system in place as quickly as possible to reduce the uncertainty so that landlords and tenants know what the permanent system will in fact entail.

In that regard, I would like to express my appreciation to the members of this committee for agreeing to review Bill 4, then to proceed directly to the consultation document. While there was discussion in committee this morning, I am sure the members of all parties understand that before the discussion took place this morning there was very much negotiation between the House leaders and discussion in this committee. That is why I think it is appropriate that the committee has decided to confirm the agreement that was reached by all three political parties several weeks ago.

In creating the new rent control system, there are a number of important issues which we must discuss. The sooner we get to the long-term legislation, the sooner we can address those issues. Today we take the first step by beginning a review of Bill 4, legislation which amends the current Residential Rent Regulation Act. Bill 4 is temporary legislation which allows us to provide immediate

protection for tenants while creating a new system of rent control.

1130

Let me start by saying that I do not think there is any doubt in the mind of just about anybody that the current system is totally inadequate. It provides little in the way of real protection for tenants. More than 330,000 tenant families have faced rent increases above the guideline. Some tenants have had to pay rent increases of more than 100%. For some tenants this has resulted in literally being economically evicted from their homes.

Tenants are not happy with the current system, and landlords are not happy with it either. This system is too complex and many people in Ontario just do not understand it. Even the Rent Review Hearings Board, which hears appeals of the local rent review decisions, has made it clear in its annual report that the system is not working and should be changed. I agree. We must move away from the system of rent review which offers the ability to pass through expenses to a system of rent control which will offer real protection for tenants. We took the first step in this process when we introduced Bill 4.

As you know, Bill 4 will protect tenants by limiting most rent increases to the guideline amounts of 4.6% in 1990 and 5.4% in 1991. While I repeat that this legislation is not the best course for the long run, it is essential, in my view, in the short term. Specifically, Bill 4 eliminates several loopholes in the Residential Rent Regulation Act which have been used to pass on huge rent increases. I am referring to luxury renovations and the flipping of apartment buildings. I do not think it is fair for tenants to have to pay for luxury renovations to their buildings, renovations which they often do not need or want. I also believe that tenants should not be forced to finance the resale of their apartment buildings through rent increases which can be phased in over five or 10 years.

I want to speak for a moment about maintenance and repairs. Some landlords have claimed that Bill 4 will not allow them to keep up their buildings. This is simply not true. The rent review guideline established each year by the ministry is based on average cost increases which a typical landlord would experience in operating a well-maintained rental property. These increases include the cost of carrying out regular repairs and maintenance to their buildings.

Poor maintenance is a matter of public health and safety and is a regular cost of doing business. This is why Bill 4 allows landlords to claim for certain expenses over which they have no control. These costs include increases in hydro, municipal taxes, heating, water, insurance, cablevision and mortgage rates for renewal of mortgages. We also recognize that major capital expenditures are required to keep rental properties operating to modern standards. Capital expenditures involving roofs, garages, heating, electrical systems and so forth must be considered as part of any long-term rent control legislation, and they will be.

I am prepared to work throughout this year with landlords, tenants, the financial community, municipalities, the building trades and all other interested groups and

individuals. We must create a system of rent control which ensures that tenants are protected and that buildings are kept in a good state of repair.

Today we begin the process with a review of Bill 4. Correct me if I am wrong, Mr Chairman, but I believe there will be some opportunity for a presentation from the ministry today on the bill. So as I complete, I would like to introduce to you three representatives from the Ministry of Housing: Anne Beaumont, who is the assistant deputy minister of Housing, policy division; Dana Richardson, who is manager of existing housing stock section; Christina Sokulsky, who is senior solicitor, rent review legal services; and Colleen Parrish, who has also been working on this project.

With those few remarks, I complete. I appreciate the efforts of the committee. I would just like to add one additional comment. I would ask, as much as possible, for all members of the committee to understand. The time frame for this is tight; I understand that.

The consultation document will be ready in February. The consultation document is well on its way to being prepared and decisions on the final draft form are being reviewed now by myself and people within the ministry. If the committee is to have a real opportunity to have input into the final decisions that we must make as a government, the hearings that you have on the consultation document must occur as quickly as possible.

The time that it takes for the ministry to develop permanent legislation and have it drafted and have it checked and go through the approvals process is a considerable period of time. If we waited until the House resumed in March to have public hearings on the consultation document, in all likelihood we would not get a report from this committee until late April. That would mean that we would not be able to have the input and advice from this committee in giving instructions to the ministry on how the permanent legislation is to be crafted.

So while I understand that the time frame is very tight, I think it is the best time line that we can develop together, and result in public input as well at this stage—there will be more public input in the summer—and also offer the opportunity for members of this committee to have direct recommendations on how we proceed.

There are, I guess, a couple of other alternatives, and they would be that there would not be input from the committee, which I think would be inappropriate, or that we could delay the introduction of the permanent legislation for six months to eight months and maintain the moratorium, which I think would not be the preferred option either. So I appreciate the decision the committee has made today and I really very much look forward to being with you as often as I can during the public hearings and to receiving your report on the consultation document in the future.

The Chair: Thank you, Minister. We appreciate your comments. As is the customary procedure, we will now hear from the two opposition critics, leading off with the official opposition, Ms Poole.

Ms Poole: I am pleased to make comments on behalf of the Liberal Party relating to Bill 4. I thought I would begin by taking a look at what the minister has described as the intent of the legislation. He has said that he wants to limit outrageous rent increases and that he wants to ensure tenants do not have to bear the burden of unwanted luxury renovations and the flipping of apartment buildings. I can say that our party does not have a problem with the intent. We do not have a problem with those principles. In fact, that is why we voted as a caucus to support Bill 4 on second reading. As you know, Mr Chair, second reading is support in principle.

We do, however, have very serious reservations about the ramifications of this bill and about certain provisions in it. I can put the minister on notice and also the committee on notice at this stage that unless there are some, I think, fairly substantial amendments to this legislation, our caucus will have great difficulty in supporting it on third and final reading. I am hopeful that these hearings will provide that opportunity—as well as the clause-by-clause analysis—for us to agree on amendments which will make this interim legislation fair and reasonable.

One of the serious reservations I have about the legislation is that the minister has introduced quite widespread and wide-sweeping legislation to correct what is abuse by a few landlords. The minister himself has actually said that it is a few landlords. I would like to quote his comments at a press conference when he introduced the legislation.

These are the minister's words: "Landlords in this province, in fact most landlords, have kept their buildings up to standards without going through the rent review process. It has been a few landlords that I believe have abused the system, have put in luxury renovations that have resulted in tenants receiving unreasonable and unconscionable rent increases, which is what we're attempting to fix today."

1140

The question I have to ask to the minister is, if this is an abuse by a few landlords, then why such wide-sweeping legislation? I know the minister has described in his statement a number of cases where rent increases vary from 224% down to 176% and 156%, and I agree wholeheartedly with him that these are totally unacceptable and should be unacceptable to any member of the committee. But I will also tell you that rent review statistics show that increases over 100% represent 12/1000 of 1% of all applications to rent review; 12/1000 of 1%, as you can see, is quite a very small number.

I have no problem with having interim legislation which stops that abuse, no problem whatsoever. But the question again that we have to ask is, do we need to go that far? The statistics I am talking about are from rent review and from ministry documents, as well as rent review itself. Later statistics from rent review for the 22-month period, 1 January 1989 to 31 October 1990, which as you can see are very recent statistics, show that in 96.37% of the decisions at rent review, there have been increases of 14% or less. So why do we not deal with the abuse and those abusing the system and not penalize everybody en masse?

The other serious reservations I have about this legislation involve capital replacements. There is no provision in this legislation for capital replacements or major repairs. I know the minister has brought up the point that day-to-day repairs are covered. They are covered under the formula, the statutory guideline, but that is not what we are talking about. We are talking about boilers that break down. We are talking about roofs that are 20 years old and leak. We are talking about corroded plumbing that needs to be replaced and electrical wiring which does not work. We are talking about underground parking garages that must be replaced and repaired. The corrosion is such that the building will fall down if it is not fixed. These are the types of things that are not covered in this legislation.

I know the minister with all good will and intent intends for this to be passed and through and over with in a one-year period so that the long-term legislation can be in place, but I can tell you, having been in this House a number of years, that it is probably an unrealistic schedule, although we will try to assist him in attaining it. But even a one-year situation can create a crisis in many buildings where this repair work was long past due. That is certainly a very major item which I think we will hope to address through amendments.

We are not talking about luxury renovations. I want to make that perfectly clear. I do not have much sympathy for landlords who want to put in Jacuzzis, gold taps and marbleized lobbies. That is not what we are talking about. Let's make that perfectly clear. I think when any government is bringing in housing policy, it is also important that it reconcile its social policy with its economic policy.

I do not think any member of the government envisaged the ramifications from this particular bill. In fact, I doubt if any of us really truly knew it until the calls started to come in, ramifications with the renovation and repair trade. The number of cancellations have induced numerous layoffs. We already have statistics showing that it has already happened. It is not what you would call whistling in the wind. We are not making these up. These are people who have said, "We have laid off our tradesmen because we cannot afford to operate with all these contracts cancelled."

The investment community is extremely concerned. It is concerned because the rules changed halfway through the game and it is extremely difficult for investors in this province to accept this, particularly foreign investors who look at it not as an NDP or a Liberal or a Conservative government; they want continuity and they have the right to expect that the rules they operated under are going to hold until such time as the legislation changes.

Unfortunately, what has happened in this case is that the retroactivity, which is my next major point, has changed the rules of the game far beyond what I think anybody envisaged. If you look at the instance of capital expenditures, according to the legislation capital expenditures for rent increases, 1 October or later, will be caught under the moratorium. But if you look back, because the landlord has to give 90 days' notice before getting the rent increase, that takes us back to 1 July.

There is another hitch. The capital expenditures for major replacements have to be substantively completed before the landlord can even apply. That means that a landlord who did work commencing in 1989, most likely the summer of 1989, is caught under this moratorium, and that is not to say anything about the financial loss provisions which have also caught people from two, three, four years.

I can understand the minister's intent. He wants to protect tenants from any further increases by making it all retroactive, but I think that surely we have to take a look at this legislation and see if we can come up with something fairer as far as retroactivity is concerned. I cannot believe the minister intended this legislation to be retroactive two, three, four years past. It just does not make any sort of sense.

I guess the minister can justify all these things happening because he says it protects tenants. I have long been known as a tenant advocate and I have worked for tenants and with tenants for many years, but I have very serious reservations about whether it is going to protect tenants, because equally as important to tenants as keeping reasonable rents is the fact that they want maintenance done on their building. They want a decent place to live. It is their home. They do not want to live in a slum.

I can tell you that this legislation has strained the credibility of the government to such an extent that we are going to have fairly serious reactions from landlords. I think what you are going to find, if this legislation passes in its current form, is that landlords are cutting out services, that they are going to lower standards and that they are going to cut out the extras. There is always a substantial number of calls to my office about maintenance, but I will come back to this committee a year from now and I will bet you that the number of complaints will have doubled, tripled, even quadrupled. So it is not going to be good for tenants.

We have to look at our aging housing stock and ensure that we are not looking at a short-term solution that is going to cause us long-term pain. Our housing stock is 15, 20, 30 years old and more.

I have some statistics here—the minister will be glad to know I am just winding up now—that 80% of our housing stock was built pre-1976. So 80% of our housing stock is at least 15 years old to start with. Almost two thirds was built pre-1970. So that is 20 years.

Anybody who knows housing stock will know that the 15- to 20-year mark is the crucial period where roofs give out, boilers give out and elevators break down. There are a lot of substantial repairs and capital expenditures that need to take place.

Over one third, almost 37%, was built pre-1960. So over one third is 30 years or more. And 8.6% was built pre-1920. I can tell you, having been in many apartment buildings, that they have been in serious jeopardy and it has only been in the last couple of years that landlords have been trying to remedy this and repair their buildings in a quite major way.

So let's be realistic. It may be, in the short term, very pleasing to tenants. Somebody would have to be stupid to

say, "I do not want to take advantage of the fact that there will be a rent freeze over the next two years," but let's look at what long-term ramifications are going to come from this short-term legislation.

1150

The final point I would like to make is in the area of stability. Surely any legislation, interim or not, must not only be effective and must not only be fair, but also must create stability in the market. I think this legislation has done exactly the opposite. We have tenants living in half-finished construction, where the landlords have finished their construction and have said they are not going to go ahead because they cannot be reimbursed for it. We have instances where renovators and trade suppliers say they are going out of business. We have landlords who say they will be bankrupt because they have spent many hundreds of thousands of dollars on renovations for which they cannot be reimbursed. We have investors who are saying that Ontario is no longer a beneficial climate in which to invest. This does not sound to me like stability. I think we can work together with amendments to make this legislation fair, effective and create a stabilizing influence. I would ask all members of the committee if we can work towards that. That will make these hearings an exercise in good government, not an exercise in futility.

Mr Tilson: I have several questions to ask of the minister and then I would wish to make some comments, if that is in order. First, I am sure the minister is amused listening to the extensive Liberal objections to his bill, yet they voted for it, of course; they voted for the bill when we last sat. I find it interesting that they list all these objections—many of which I concur with, which is precisely why we voted against it—yet they in fact voted for it.

Minister, I have several questions to ask you before I get into my comments, which have to deal with the green paper you are proposing. You have been vague in your statement. You indicate it will be released next month. Can you tell us when specifically? Will it be at the beginning or the end of the month?

Hon Mr Cooke: The plan is to release the document to the committee and across the province as soon as this committee has completed its discussion on clause-by-clause of Bill 4. I do not have the schedule of your committee in front of me so I cannot remember all of the dates—

Mr Tilson: I am confused by that, because we have set aside weeks to discuss the discussion paper, if I recall, prior to the clause-by-clause debate. Perhaps you could clarify what your intention is.

Hon Mr Cooke: I do not have your schedule memorized, so perhaps the clerk—

Mr Tilson: I do not either. All I know is that the discussion on the green paper comes before the clause-by-clause discussion.

Hon Mr Cooke: Rather than trying to fit it into your schedule, the plan, as I have indicated publicly before, is to release the document the week of 18 February.

Mr Tilson: Which is the very week we are starting discussions. I would like you to comment on this, because

this gets back to discussion, obviously under your direction, that the committee has taken, that we will allot the weeks of 18 February, 25 February and 4 March to discuss the discussion paper when you are introducing it the week of 18 February. At the same time, both you and members of the committee have indicated that we will be meeting again to discuss this paper some time in the summer.

Hon Mr Cooke: Not the paper. What I said in my opening statement was that it would be our expectation to receive a report from the committee and we will have had our own consultation process on the paper as well, and we will have legislation for first and second reading for the permanent rent control system in June. Then we would like to have public hearings on the permanent bill in the summer.

Mr Tilson: Bill 4 is quite obviously temporary legislation; you have indicated it is temporary legislation. I would go so far as to say it is Band-Aid legislation, piecemeal legislation.

Hon Mr Cooke: That is the nicest thing you have said about it.

Mr Tilson: I am trying to be as kind to you as possible to start these meetings off on a good footing. I hope you will respond, of course, with a similar friendly attitude. I simply say that when you say you will be releasing this paper on 18 February, that is the very week this committee will be considering that paper. To be fair, a paper of this magnitude hopefully will be given to the tenants' associations and the landlords' associations, the very people appearing before this committee. They will not have an opportunity at that time to give their comments to this committee. We will not even have time to get out among the committee and discuss it ourselves.

My suggestion to you is that perhaps our discussion of the discussion paper should be put off for a time, that you revoke the committee's position which was made, I believe on your direction; that during the weeks of 18 and 25 February and 4 March we continue to discuss Bill 4, which has very serious implications to the economy of this province. It is going to be almost impossible for us to intelligently review and debate your discussion paper on the very date it is going to be implemented, and those discussions should be delayed until a later date.

Hon Mr Cooke: Again, I assume there has been some discussion with your chair and the clerk in the steering committee. The expectation was that the document would be released and that there would be an opportunity for the committee to go through the document with ministry staff so there would be an understanding of it and that there would be simultaneous release in other centres across the province with the opportunity of briefings for tenant and landlord groups. We are very conscious of what you have said.

I would also indicate that in terms of the decision that was made here this morning, I did not direct the committee. Your House leader, the Liberal Party House leader and the House leader for the government negotiated this arrangement for the committee. There was not an imposition of the government's will on the committee this morning.

I have always assumed that a deal is a deal, and the time frame was negotiated between the three House leaders.

Mrs Y. O'Neill: On a point of order, Mr Chairman: I want to reiterate, and I do not think it was stated in public, that it was this committee's decision on the time frames and how we would use them for this committee and it did not need to go to the House leaders. The only thing we were given were the six weeks we could use as we chose, and that is the way this committee decided to go.

Hon Mr Cooke: That is not correct. The House leaders discussed specifically—

Mrs Y. O'Neill: The clerk made the statement to us in private session, and I took her direction. I think the clerk is as impartial as we are going to get in this committee.

On a point of order, Mr Chairman: In conjunction with what has just been said, I agree that I have not won my point this morning about the three weeks and the use of them, but I would like to request that the minister give his plans in writing to this committee now that this decision has been made, though at this moment pretty unsure, that 18 February—

Mr Tilson: Mr Chair, somehow I have lost the floor.

Mrs Y. O'Neill: You are correct, but I want to have given to our committee what his plans of circulation are and what work this committee will be doing.

The Chair: Order, please.

Mrs Y. O'Neill: I think I have a right to ask that, Mr Chairman.

The Chair: Yes, you do. It is not a point of order; a very good question, not a point of order.

Mrs Y. O'Neill: It is a point of order.

The Chair: I consulted with the clerk as I was not quite sure and she said it was not a point of order. Mr Tilson, you have the floor.

Mr Tilson: I acknowledge that the House leaders did meet and, to use the minister's expression, did work out a deal with respect to temporary scheduling, but that was before the many, many applications came not only to the clerk but I am sure copies were directed to your offices; certainly copies have been sent to my office. I think you will acknowledge that there are many, many people across this province who are not going to be heard and who are not going to meet your expectation of consultations that you have repeatedly said in the House.

I will accept for the moment that you do not direct these people over here. I would ask that you caucus or discuss with them the possibility, because they have the votes, they can do whatever they like here—which troubles me, but they can do whatever they like. Obviously, these three weeks are needed because of the many applications of people who have asked to be heard and are not going to be heard. I simply ask that you reconsider your position. In light of the fact that this discussion paper will only be introduced on the 18th, discussing it on the 18th is premature and it should be put off to a later date. I simply ask that you reconsider that.

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Hon Mr Cooke: The document will be presented to the committee during that week and there will be a briefing session by the ministry, so it is not just a matter of giving you the document and then expecting that there are automatically going to be public hearings. There will be the opportunity, if the committee so wishes, to have representatives from the ministry go through the document with you.

I served long enough in opposition to understand exactly where you are coming from: your caucus, and I understand very clearly why, is very much in principle opposed to Bill 4. Your approach to this is obviously to do your best to see that Bill 4 is stopped. But I want to go ahead with Bill 4 and I want to have a public consultation process with the committee on what the permanent system will involve. The only way we can do that and still accomplish having legislation out to this committee in the summer is to go with really tight time lines. The disadvantage of going on longer on Bill 4 and holding up the legislation is that the permanent rent review-rent control legislation would not get out to public hearings until the winter of 1992, which means implementation several months later. It takes several months to prepare the regulations attached with the bill, and if we want to have real public hearings on the permanent legislation we have to get the permanent bill in for second reading in June. That is why the time lines are tight.

Mr Tilson: I can only say that our party is prepared to consult. I do hope the minister will reconsider and the government will consult, because it is quite apparent that it is not prepared to consult on this legislation. As we have illustrated in the House and will continue to show, and I am sure the applicants before this committee will illustrate, it is having and will continue to have a disastrous effect on the economy of this province.

My second question has to do with his comment regarding capital expenditures. It is at the bottom of page 10. I think you are admitting that not allowing capital expenditures to be included in rent increases was a mistake and you are now saying they must be considered as any long-term rent control legislation. Acknowledging that, and acknowledging that it may be some time before the permanent legislation is implemented, where you will implement this and where you will put forward your proposals with respect to the green paper, would you be prepared to consider now, to save much concern of the people of this province, that Bill 4 be amended to deal with the capital expenditure issue that has been raised many times in the House and again raised in this committee?

Hon Mr Cooke: First, I might indicate that I made comments to the press before we even introduced Bill 4 that a permanent system of rent control would have to recognize the issue of capital investment in buildings. So this is not something that has simply come upon me since the introduction of Bill 4. It has always been the expectation of this government that there was going to have to be a mechanism in the permanent legislation to deal with capital.

I am sure the Liberal Housing critic understands how much difficulty the previous government had of exactly how you deal with the capital issue. It cannot be, in my view, adequately dealt with through an amendment to the current legislation. There has to be a new approach. That is why in the short term there is no provision for capital. In the long term—when you see the document in February, you will see some of the options, you will see our preferred approach at that point. You may not agree with it but you will certainly understand that we will be dealing with the capital issue in the permanent legislation. I understand that, and I will not prejudge any reaction we might have to any amendments you might present to Bill 4. I will look at your amendments and I, along with my colleagues, will take your amendments and the amendments the Liberal Party proposes very seriously. But, obviously, the moratorium legislation has a principle involved; it is a short-term bill and we are not prepared to deviate from the principle of the bill.

Mr Tilson: I find it difficult, the contradictory statement the minister has just made acknowledging that there is a problem with Bill 4 in deleting the item dealing with capital expenditures, when he says it is going to be in the new legislation but not in Bill 4. I find that a terrible contradiction and I hope he will consider an amendment before Bill 4 is passed. Of course, our party hopes it will not be passed.

The third and final question I have of the minister, because I know he wants to leave—

Hon Mr Cooke: I do not want to leave.

Mr Tilson: I appreciate that, that you would love to sit here and listen to me—

Hon Mr Cooke: I will watch it tonight.

Mr Tilson: I am sure you will. I have listened, as other members of the House have listened, to your comments on the abuses of landlords with respect to—you used the example—marble foyers, and terrible abuses the landlords have made. We all acknowledge that those abuses have taken place. I have repeatedly asked you in the House—I have asked you on two occasions and I think our leader has asked you on occasion—for your impact analysis on how you came to the conclusion to implement Bill 4. You have indicated to the House that that analysis does exist. Presumably that will clarify your statements with respect to luxury renovations.

My question to the minister is: Will he make that impact analysis available to this committee today where we can listen to his clarifications with respect to the luxury renovations he has spoken of?

Hon Mr Cooke: We have supplied to you all the background information, a compendium of information that is required under the rules. I have never indicated in the Legislature that there is an impact study, as you describe it. I would suggest that the background material we have that helped us come to the conclusion of where we wanted to go in the short term is the same type of information Mr Davis had in the mid-1970s and Mr Peterson had in the mid-1980s when they decided to go with

forms of rent regulation. That kind of information is available within the ministry.

But did I go out and hire consultants to make a political decision about a commitment that was made in the election campaign? No, we did not go out and hire consultants and economists, because there is a principle involved here that we believe in: the protection of affordable housing and the protection of tenants in the province. My question to the ministry when I took office was: "This is a commitment that was made by the government. I want to know how we can best implement this decision and I want to know the ramifications based on your professional experience in the field." That is the kind of advice and input I received from ministry personnel. The result is Bill 4. We have supplied to you a compendium of information, I believe, and that is the package.

1210

Mr Tilson: I guess I am talking through Mrs O'Neill's microphone, Mr Chairman, so hopefully it will pick me up.

The Chair: You will be heard.

Mr Tilson: That is good. I am glad to hear that. Again, the issue of course has been made quite clear to me, the comments you have made that there was an analysis made, and I am disappointed to hear that you now say that was not done. I guess I need clarification and this committee needs clarification as to your very bold statements with respect to luxury renovations—examples of abuse, numbers of examples of abuse, specifics of examples of abuse. There is no question that we all know of at least one example of abuse because you have quoted it in the House, but I would like to know, specifically, detailed information as to these examples of abuse that you have referred to. List them all. List all the luxury renovation abuses that have been taken by the landlords of this province. Can you give that information to us this morning?

Hon Mr Cooke: The 330,000 units that had rent increases above 11%—I do not know whether we can bring that in the room here this morning or how we would assemble that information. We will provide you with as much information as we can on the range of rent increases and we have attempted to do that. We have also offered you a briefing from the ministry; I did this back when Bill 4 was introduced. The Liberal caucus took advantage of that briefing. My understanding is that to date you have not. I still am offering to you the opportunity to spend time with the Ministry of Housing personnel for a briefing, if you would like that.

Mr Chairman, I do not want to be rude, but I was supposed to be someplace 15 minutes ago and people will be waiting.

Mr Tilson: I appreciate your allowing me to ask those questions, Minister.

Ms Poole: I have just a very quick point of information. I appreciate that the minister has to go. I refrained from asking questions in my particular section because I did not feel it was fair to the third party critic not to have an opportunity to speak before the minister left. Would it be possible for the minister to come back one time, either

at the beginning of one of our sessions or at five o'clock whenever we are finished, just to answer questions? I am sure members of his own caucus also have some.

Hon Mr Cooke: Yes. If it can be scheduled, I would be glad to, but I hesitate to come at the beginning of a session because I might not get on until an hour and a half after I was scheduled.

Ms Poole: If we promised? Perhaps it would be possible for the clerk to contact the minister on this.

Hon Mr Cooke: We will schedule something.

Ms Poole: Thank you. I appreciate it.

Mr Tilson: My remarks are brief. I will not go into the half a dozen to a dozen criticisms that we have of the bill. They will come to light as the applicants speak. I will say that the main objective, the main concern of our party is the economic wellbeing of Ontario, the job losses, the fairness, and clearly this bill is most unfair, as will be revealed by the applications.

Mrs Y. O'Neill: This is not a point of order; I want to make a formal request. I would like to have provided by the minister's office—I presume that is the place where this will have its source—a timetable for the presentation of the discussion document. I feel that I would like to know about its presentation to us, and the opportunity, I understand, to have briefings. How long would those briefings be? One day? Two?

Then I also think it is only fair to this committee, since we are looked upon as the resources on this bill in the province—I would like to have the information for the people who are going to start asking me this as of this morning, now that the decision has been made, what the circulation plan is for this document. I heard from the minister very vague statements that there would be briefings provided in communities across the province. What does that mean? Does it mean that the Ministry of Housing officials in the large urban centres will be holding quasi-public hearings? I do not know. I would like to know that. I would also like an answer from the minister about the significance of these hearings to that consultation paper.

The Chair: We will duly note your requests, Mrs O'Neill, and we will pass them on to the minister, and when we receive the information we will distribute it to the entire committee.

Mrs Y. O'Neill: Thank you.

Ms Harrington: I just want to say that they are very fair requests, Mrs O'Neill, and I believe that we can try to get the answers to them very quickly.

Mr Tilson: Now that we have disposed of the minister, I have two motions that I would like to introduce to this committee for its consideration. I will read them, but I have written them out.

The first motion has to do with witnesses that hopefully will attend this committee to make presentations. Obviously there is a time consideration, but I do believe, in light of the comments that have just been made by the minister, that there has been very little work done by his ministry in an analysis and that we have seen all that is out there, which I find totally unacceptable, so accordingly I

would like to introduce a motion to this committee, which would be seconded by Mr Turnbull, to receive the following witnesses to this committee.

I move that the committee call the following witnesses to provide expert analysis on the impact of this bill on the rental housing market in Ontario.

First—and of course the minister has indicated that if time permits he would attend—the Ministry of Housing, the housing supply policy branch. In other words, I would like a conservation expert to detail the exact state of the rental housing stock in the province and provide documentation for the Minister of Housing's \$10-billion estimate of outstanding renovation and repair work.

Second, I would like to hear a witness from the low-rise rehabilitation program, specifically, how many units have been renovated under this program; the total program expenditure to date; how many applications are on the waiting list; and the impact of Bill 4 on the program.

Third, from the Ministry of Energy I would like a witness from the energy efficiency section, specifically the energy conservation experts' assessment on the impact of this legislation on the energy conservation goals of the Ministry of Energy.

Fourth, I would like a witness from the Ministry of Financial Institutions specifically to deal with an assessment of the impact of the retroactive clause on outstanding real estate loans, how many loans are at risk and what is the impact for depositors and investors.

Fifth, I would like a witness from the Ministry of Municipal Affairs or the Ministry of Revenue to tell this committee the impact of the anticipated deterioration of the rental housing stock on municipal property tax assessment.

Finally, I would like this committee to hear from Stuart Thom, who is the author of the report of the Commission of Inquiry into Residential Tenancies. I would like to hear his assessment of the impact of this legislation on Ontario's rental housing stock. That is the first motion.

The Chair: While you were reading the motion we had photocopies made. I wish to thank you very much for having a copy of your extensive motion ready for us to photocopy. It helps the entire committee. Any discussion on the motion?

Ms Harrington: We appreciate the intent of bringing these people forward, because as you, I believe, are stating, you want as much information and background as possible to make the best decisions. I certainly would concur with that. The only problem I have is that once you get past three or four we are running into a lot of different groups here, experts, and we have already stated how close and tight our time schedule is, and I think this is going to be virtually impossible.

Now from the point of view of the Ministry of Housing, supplying an expert on housing supply and the effectiveness of the low-rise rehab program and even the energy angle on housing, I think would be no problem. In getting you background information, we will have our staff here at all times. They will be willing to answer questions, but I would think that formally inviting these seven different

groups for submissions will not fit with our schedule. What I would like to propose is to ask our staff to supply all this information to you and be at your disposal.

1220

Mr Tilson: Perhaps I could respond to that little comment. I appreciate that you have, on the one hand, said that you have a time frame. On the other hand, you have stated that you will take whatever time is necessary to complete these hearings, to hear from the public and to make sure that this committee is as informed as possible to deal with all of these very, very important matters. All of the items that are—

Mr Mammoliti: Point of order, Mr Chairman: You have not been consistent, Mr Chairman. You are allowing him to respond to the comments made by Ms Harrington and you have not done that in the past. Let's be consistent here. I was next on the list. I would assume that he could raise his hand and perhaps be put on the list, as I did. Be consistent, Mr Chairman, please.

The Chair: That is correct. The Chair is trying to show some flexibility. I can be very inflexible, if that is what the committee wants. You would have to go a long way to find someone more inflexible, if that is the tack I decide to take.

Mr Tilson: He is perfectly correct.

The Chair: I duly note Mr Mammoliti's concern. He is correct. I had not allowed that before and I will not allow it again.

Mr Mammoliti: Thank you.

The Chair: Mr Mammoliti, please.

Mr Mammoliti: In keeping with consistency, I believe that the committee has given—I am not sure whether we have given the mandate to the clerk or not or whether it is procedure, but the clerk has determined who is going to be presenting anything in front of this committee, and furthermore, who will be speaking first, second, third, fourth, fifth, sixth, seventh on the list, as well.

I did not know that we could in essence bring our own little list into the room and ask for permission to have people come in front of us and speak. Again, in keeping with consistency, the clerk has determined who has applied to speak and I would just request that we stay consistent.

The Chair: It is not the clerk who has decided. The clerk has decided based on a list that we requested her to obtain. Now, we can request her to obtain other lists that we bring forward. The motion is in order. Other members of the committee can in fact make motions of a similar nature and it is up to the committee then to decide whether or not we would extend the courtesy of presentations to groups and individuals other than those we have already duly noted. I hope that answers your question.

Mr Mammoliti: Yes, it does.

Mrs Y. O'Neill: I want to state that I regret deeply that we are not going to have a presentation from the Ministry of Housing officials, as such. I had a feeling when I came to Toronto this week that we were going to hear from the minister this morning and then from the Ministry of

Housing, which would cover off some of the bases that we have just been presented with.

The Chair: I have a proposition for the committee on that point.

Mrs Y. O'Neill: I am going to speak now to the motion, because I do feel—that is what I was trying to say earlier and this is a perfect example—that as we progress through our work we, as committee members, often want expert advice or we want to call in a ministry official on a certain finer point, such as the low-rise rehabilitation program, for instance, simply because we have had a lot of presentations and we want to be clear that that which we have been presented with is the same as the data that are in existence in the ministry.

The Ministry of Housing is a very important resource to this committee. To this point, other than what we have heard from the minister, everything else that is scheduled that I can see is a presenter. It is most unusual for a committee to have only presentations. You usually bring in experts to help you put those presentations in a framework. That is what I was talking to in the way of having flexibility with our Monday schedule. It does seem that the government members are open to longer sittings. This could be accommodated within that time frame and I think we have every right to request experts we need. These are not exactly all the same ones I would have chosen, but certainly in principle I will be supporting this motion.

Mr Drainville: Again, on the rhetoric I have heard as to denying people the opportunity to be able to come before this committee, constantly we hear how obstructionist we have been. In fact, the reality is that we are not obstructionist in the least. We are seeking to have as much information flow through this standing committee as we possibly can. This is a new issue that has been brought up, the issue of this particular list and this motion. We have not discussed this kind of thing yet.

We have people from the ministry who are ready, willing and able to give us information, if we request that, as to each of the areas. The parliamentary assistant for Housing has indicated to the members of the standing committee that they are willing to provide exactly this information to each of the members and to have people ready to respond to questions as needed. As far as that is concerned, if we continue to add—each one of us can come up with any number of lists to add to who can come before this committee—we will move the time line of the committee so that indeed it cannot do the job that it is meant to do.

I would say, following from Ms Harrington's comments, that we allow the ministries involved here to get this information to each of the members, because we need this information, that they be around the committee when we need to ask questions on these areas, and that we do not move our timetable into a situation in which we will not be able to do the work, listen to the people, listen to the reports and the comments that need to be made by both landlords and tenants out in the community.

Mr Tilson: The reason we have put this forward—asked the question of the minister very specifically—is that I think this committee has an obligation to be as informed as possible before we can make our recommendations to the Legislature. We do that in a number of ways. One is to listen to the various applicants who have made applications to this committee. They include tenants, landlords and suppliers and hopefully they will include other people, people who have voted for us, people who have voted for this government.

In addition, there is obviously a very specialized amount of information that is required for us to make an intelligent recommendation to the Legislature. I specifically asked the question of Mr Cooke, and just to remind some of you, I would like to refer to Hansard of Wednesday 28 November 1990 where this question was asked of Mr Cooke by myself. He stated at that time: "When we were looking at the policy options that were open to this government to provide real protection for tenants, we did look at the impact on the economy. We also looked at the impact that the current rent review system has on tenants across this province," and then it continues.

It is that very information that Mr Cooke now appears to say is not available. I am not saying he said an untruth here; I am simply saying that I interpret that the information that was available is not available, because he says that all we have, we have.

I therefore think it is most important that we hear not only from the Ministry of Housing on these very specific areas, but from the Ministry of Energy, the Ministry of Financial Institutions, the Ministry of Municipal Affairs and Mr Thom.

Mr Thom, if you recall, put forward a recommendation to the last government. I think if you check Hansard, the members of the current government thought Mr Thom's remarks were most interesting and in fact supported many of them. Of course, the former Minister of Housing quickly buried that report and it is gone for ever, it seems. I think Mr Thom should have an opportunity to come forward to this committee and give his comments with respect to the impact of this specific legislation on Ontario's housing rental stock.

Therefore, I would hope the government members of the committee will reconsider their position and support this motion.

Mr Turnbull: It is quite clear that this is very wide-reaching legislation and has very significant economic impact on both tenants and landlords. It sets the base, if you will, for the coming permanent legislation. To the extent that there are some significant inconsistencies between what the minister said this morning, talking about fairness in his presentation, and how he is handling capital expenditures or not handling them in Bill 4, it is very important that we have full public discussion.

1230

At the time that we had our very first meeting of this committee, I recall you, Mr Chair, emphasizing that you had pushed to have all of the meetings of this committee

in this room so that television coverage would be available because of the nature of the things we would be considering. We know that to a great extent the tenants and the landlords who will be making presentations will be saying the same sort of things over and over again and what we have to listen for is the nuance of the difference and the slightly different perspective that each presenter brings to it.

It seems unreasonable and I am offended, quite frankly, when I get the suggestion from the government that when we are asking for six specialists from the ministry who can bring a different aspect to it from the majority of the witnesses we are going to hear, there is a suggestion that we do not have enough time to hear them. If we do not have enough time to hear them, why are we having these hearings at all? Is it just theatre? Please, let's have expert testimony so we can understand fully what the impact of this legislation is.

Ms Poole: It appears that we may not have a consensus on this issue. I agree with Mr Tilson and Mr Turnbull and, I guess, Mrs O'Neill. I agree with all those people who have said that these are experts who would be helpful to the committee.

Might I propose—and you are obviously most welcome to turn it down if you do not like this compromise proposal—that each caucus could develop a series of questions which we would like these five ministries to answer, that we ask them if they could give a written brief to our committee, and if at that time it appears there are outstanding questions or the briefs themselves generate questions, we could revisit the issue.

I am just thinking that it would be a shame not to get this information simply because we have voted against the proposal due to time restraints. With that type of thing, I think we could eliminate a lot of the time necessary, and if we do have to call them forward, it would be in an abbreviated session.

The Chair: I believe that suggestion was heard by everyone.

Ms Harrington: At the outset, when we said that this committee would hear from everyone, I understood that all of these types of experts were free to come and indeed would be coming, and if any member of this committee wanted them to come, then they would certainly be contacting the clerk and be on the list.

I do not think it is really necessary that we as a committee formally invite these people. I would expect that we would want them here and that they would be here, as this is open to everyone to be here. I do not think we are closing it in any way.

The other point I want to make is that most of the experts that you are feeling need to be here, the ones from the Ministry of Housing, are in fact here every day, all day and I am presuming that there will be times when we will ask them questions in the course of the day or even at the beginning of the day or at the end of the day. They are there as a resource, and it is an integral part of this process that they be involved as a resource.

The suggestion from Ms Poole with regard to getting a paper from them I would certainly go along with.

Mrs Y. O'Neill: On a point of information, Mr Chair, ministries never make application to come to committees. They are only invited and are then at the disposal. Unless they are slotted in to a time, they are very seldom presenting.

The Chair: Most of these people we are referring to are civil servants and they do not invite themselves to committees. They must be invited to come before the committee. Then they would probably clear it through their own ministers and have high-level meetings and prepare whatever they are going to present to the committee.

Ms M. Ward: I would like to say that I think Ms Poole's recommendation is an excellent one and one that I would support. In considering the list that Mr Turnbull has prepared here, there are some of those where I could see, yes, that would be useful information. Others are more questionable to me, and I kind of wonder about the time frame in which some of the information could be prepared in order for them to appear at that time, such as the Ministry of Financial Institutions. I do not know how long it would take them to do this assessment.

But one of the concerns I have about them appearing, not necessarily a concern but a preferred option of mine, I think, is to have written material and not necessarily have to listen. Not that I am opposed to listening, but if it is background information, to me it is just as valuable in a written form as it is with someone appearing and maybe presenting it in written form also. I do think Ms Poole's suggestion is one that is very worth while considering.

Mr Turnbull: I have to say that is totally preposterous. We are hearing oral presentations from witnesses. That was the arrangement. Now, suddenly, when we are getting ministries where we can ask questions and go into the details of it we are told, no, we should get written presentations.

It is appropriate that these presentations be public. This government fought the last election on a platform of open government and this certainly is not open government. You muzzle civil servants when they are making written presentations. If they come and they have a general idea of what they are going to be speaking to and they bring any statistics with them, that is fine. They can do all the preparation they want. But as soon as you start asking them just to cover this in written presentations, it is totally inappropriate and totally contrary to the concept of open government.

Mr Mammoliti: What I find inappropriate is that we had an agreement here as a committee. We set aside some dates and times, we went to the papers and we let the public know that they want to be heard, and then today we hear that Mr Tilson wants six other people to be put on the list. We are starting this afternoon at 2 o'clock. I am not too sure why Mr Tilson did not bring this up two weeks ago or three weeks ago when perhaps

there may have been a slot available in the scheduling. I am a little concerned about that.

I, like my colleague Ms Ward, agree with Ms Poole's suggestion that information is crucial; we need it. I would say, yes, I certainly would like to hear what these people have to say. I certainly probably would have some questions that I would want to ask them as well. So maybe we can put together something and give it to them and ask them to respond in writing to us. I do not see anything wrong with that.

The Chair: Before I go on to Ms Poole and Mr Tilson, I want to remind the committee that we are now 40 minutes into what was going to be our recess. We have still not heard from the Ministry of Housing officials who have come here to brief the committee, and I understand that their briefing and possibly our questions will take a minimum of one hour.

We have several delegations that we have already slotted in for the afternoon. We cannot, at this late date, in any way change the order and/or the time frame for the delegations for this afternoon, so I am assuming that we would finish with the delegations at approximately 5 pm and at that point start with the Ministry of Housing briefing. I believe we all have a copy of this large document that was given to us. So we will go at least until 6 o'clock today.

Furthermore, we are not finished discussing Mr Tilson's first motion. We have at least two more speakers on the list and we have a second extensive motion from Mr Tilson to discuss after we have voted on this one and/or any other amendments to the motion which may come forward. I inform the committee of this information just so that we can govern ourselves accordingly.

1240

Ms Poole: Mr Chair, we have quite a few new members on the committee and perhaps it would help, since I had the pleasure of chairing the committee for two years, just to tell you about how we have worked on other committees.

For instance, when we have a ministry like the Ministry of Housing that is a key player, members of the committee are quite free to make up a list of written questions and tables, particularly when statistics are involved or background information, and file them with the ministry. At the time they are tabled, the ministry representatives might be called forward for a very brief explanation and the Chair would certainly be within his or her right to limit the amount of time for this type of proceeding.

It is very common to do this type of thing in writing, but it is not so common when you have experts from other ministries such as Energy, Financial Institutions, Municipal Affairs and Revenue. Normally, if you had those kinds of ministries, you would ask them to come and make an oral presentation, and ask questions.

I just think that since I am hearing no agreement on having the witness come, I would rather have the information than not have the information. I do not know whether you wish to consider this compromise proposal. Otherwise I fear we will end up not agreeing on it and not only will

we not have the experts come forward, but we will not have the information we require.

I think it would have far more weight if it came from the committee as a whole to ask these witnesses to prepare written answers to our questions than if we as individuals wrote them.

Mr Tilson: In response to some of the comments that have come from the government with respect to the motion, this motion is asking for expert witnesses that will provide facts. It will not only explain concerns that members of this committee have but will explain facts that hopefully will be understood by the very people we are hearing, the very members of the public, the tenants, the landlords, everyone else that will be appearing before this committee. They too should have an opportunity to hear the facts that are being presented by the various people that are set forth in the motion.

As well, as Mr Turnbull has indicated, statements may be made and we could go on ad nauseam writing letters back and forth from members of this committee to members of the ministry. It would be much easier if the expert witness attended before this committee, made their statement, and all members of the committee, at the same time, had an opportunity to ask those questions.

The Chair: I am going to ask the committee to wrap this up. Mr Turnbull, if you can be brief, please.

Mr Turnbull: Essentially, Mr Tilson has encapsulated what I was going to say. I just want to ask that all members seriously consider the implications if they do not let these expert witnesses come and testify in open forum.

It is—I am stuck for words—it is just simply a fact that we need this information. It is reasonable information, nobody could possibly construe it as being obstructionist or some delaying tactic, it is required information. We in our caucus have put in a lot of preparation in considering how these hearings should be conducted and we are coming forward with what we consider to be a very reasonable request. I really would be exceedingly disappointed with my colleagues on the other side of this room if they did not acquiesce to this very reasonable request.

The Chair: We are going to wrap it up with Ms Harrington.

Ms Harrington: Thank you, Mr Chair. I do agree that we want to hear from all the people that we need to hear from, and these people certainly are important. We do feel the pressure right now to get on with these hearings, especially this afternoon, and we do have a timetable that the clerk has made out.

What I want to say is that, as the need arises, we should as a committee, if we feel the need to have the Ministry of Energy, the Ministry of Municipal Affairs or the Ministry of Financial Institutions come, get them. They are only around the block and they will be here, I am sure, very promptly.

At this point, to tie up our schedule with this long list, I feel, is not appropriate. We know that all the Ministry of Housing people are at our disposal, as Ms Poole has said. These other three ministries, I think, are as quick as a phone call away and we will get them if we need them.

Mr Tilson: I ask for a recorded vote on the motion.

The committee divided on Mr Tilson's motion, which was negated on the following vote:

Ayes—4

O'Neill, Y., Poole, Tilson, Turnbull.

Nays—6

Abel, Drainville, Duignan, Harrington, Mammoliti, Ward, M.

Ms Poole: I just wondered if I might make a second motion, that we contact the ministries involved with a list of questions that members might prepare and submit to the Chair and that we ask them for a written presentation and that at a later date, after the material is received, the committee can revisit whether it is necessary to have these witnesses come forward in person.

The Chair: Okay, I am having a little difficulty here. Mr Tilson gave me advance notice of his two motions. You wish to place a third motion. Possibly you and the clerk can work it out.

Ms Poole: Do we have any consensus on it first?

The Chair: The clerk informs me we may be able to get consensus without a motion for this information. Is there consensus?

Mr Turnbull: On a point of clarification, Mr Chairman, probably because I am new to committee hearings, I am somewhat confused at the fact that Ms Harrington makes the statement that if we need to hear these people, these expert witnesses, then they will be available and then promptly votes against it. I am frankly dumfounded. I do not understand how to interpret that. Are they going to be available or are they not? Please just clarify that.

The Chair: We have, as a committee, dispensed with Mr Tilson's first motion. I promised Mr Tilson we would immediately move to his second motion. If there is a third motion to be put, it will have to be done in that order. Mr Tilson, can you please give us your second?

Mr Tilson: Yes, the clerk has made copies of this motion, which I would ask be distributed to members of the committee and I will proceed to make the motion, seconded by Mr Turnbull. This has to do with finding out more information about the specific cities that we are going to be attending outside of the city.

The Chair: Possibly we could read the motion and then make comments after.

Mr Tilson moves that the committee request the Ministry of Housing to prepare and provide to the members of the committee a detailed housing profile for each city visited by the committee during the course of its deliberations. This profile should contain, but need not be limited to, the following information:

1. vacancy rate;
2. average market rent—the average rent for a vacant unit;
3. total number of private rental units in the area;
4. number of assisted housing units in the area—average rental subsidy, number of units built in the last

five years, number of units coming on stream, number of households on the waiting list for assisted housing;

5. number of building permits for multiple dwelling buildings issued in the last five years—number and percentage that involve no government subsidy;

6. percentage of ownership households versus rental households in the area;

7. average price of a home—both new and resale;

8. minimum income required to purchase a home;

9. rent review history—including the number of units that have gone through the rent review system or are currently being processed, the average rent increase in both dollar and percentage terms, the highest rent increase awarded in a single year, the dollar value of renovation work that the ministry would consider luxury;

10. number employed in the building trades—current unemployment in the building trades.

1250

Mr Tilson: Obviously, as I started by way of preamble, we are going to a number of cities, and two have been added today, Hamilton and Peterborough, where the problems of housing may be quite different than they are in the city of Toronto—the cost, the problems, the alleged difficulties that have been made by the ministry. Before we hear the applications that are being made in these various cities and surrounding areas, I think that we, as a committee, to better understand what they are saying, need to have this information available to us. I gather, from hearing Mr Cooke's comments this morning, that most, if not all, of this information is already available.

Ms Poole: Briefly, I strongly support this motion. I think this information should be available to members of the committee in order that we can be properly prepared for our visits to various cities. I think most of it should be readily available to the Ministry of Housing and should be no problem to secure.

Ms Harrington: I agree that this is quite appropriate. I would have thought possibly we would have this information without even a motion. I should maybe ask the Ministry of Housing staff who are here how quickly they could get it to us, if there is any problem. Could I ask them that?

The Chair: Sure, that is no problem. We would like a representative from the ministry to please join us. Please identify yourself and your position within the ministry for the sake of Hansard and all viewing, and we can have an open discussion here.

Ms Beaumont: Good morning. My name is Anne Beaumont. I am the assistant deputy minister of housing policy in the ministry. The ministry had anticipated providing material of this kind to the committee as it moved about the province on its deliberations. Most of this material is readily accessible from the ministry records. As I look down the list, the exception might be point 5, the number of building permits. That material can only be ascertained from municipal records. If it is available, we will obtain it from municipal records. If it

is not available, we simply will not be able to provide that information.

Ms Harrington: I was wondering if they would be able to get the answers for 10 or if that is outside their realm.

Ms Beaumont: On 10, we would make contact with the Ontario Home Builders' Association. It has indicated to us in the past that it has material of this nature. That may not be entirely comprehensive, because that would indicate the building trades employed by their members, and so it may exclude some.

Ms Poole: While we have you here hot and ready, I would like to ask if perhaps you would be able to provide some of the information in Mr Tilson's first motion after presentation at 5 o'clock this afternoon. In particular, the low-rise rehabilitation program statistics, I assume, would be readily available and could be brought with you.

Ms Beaumont: Yes.

Ms Poole: Second, providing the documentation for the Ministry of Housing's \$10-billion estimate of outstanding renovation and repair work, that might be information also accessible. Could you handle that in the short hours left?

Ms Beaumont: Yes. Now that the time of our presentation has been rescheduled to 5 o'clock, we had anticipated including that information in it.

Ms Poole: Excellent. I can appreciate where you may not be able to lay your hands on a conservation expert between now and 5 o'clock. If you can, we will be eternally grateful, but if not, we will see what we can do about that in future.

Ms Beaumont: We will have the information that has been produced from studies in the ministry and elsewhere.

Ms Poole: Excellent. Thank you.

The Chair: If there is no further discussion on Mr Tilson's motion, we do not need to read it. We all have it before us.

All in favour? All contrary?

Motion agreed to.

The Chair: Ms Poole, you have a point to raise before we adjourn?

Ms Poole: It is just the point I raised earlier, whether with the remaining ministries we could reach consensus on at least getting the answers to our written questions initially and we could revisit at a later date whether we need them to appear in person as backup to their written presentation.

The Chair: Are you making a motion, Ms Poole?

Ms Poole: My motion is that, further to Mr Tilson's suggestion that we have questions of the Ministry of Energy, the Ministry of Financial Institutions, the Ministry of Municipal Affairs and the Ministry of Revenue, all members submit to the Chair any questions which they wish to present to these ministries, that we then ask the ministries involved to give us written answers to our

questions and that we will revisit at a later date, after receiving the material, whether it is necessary to ask them to appear.

Mr Tilson: Just as a point of clarification, with respect to the motion that is being made, the way it is worded, we are essentially asking for that information now. In other words, I do not want to have to write a letter to all these people asking these various things. I assume that you are doing it now.

Ms Poole: The clerk will actually prepare a letter for the Chair, or research, somebody up there at the front table, will prepare a letter. All we have to do is submit questions. I would take it that these are Mr Tilson's questions and that if any of us have further ones, we could add to that.

Mrs Y. O'Neill: Mr Chairman, I hope this then does leave the door open to do what you have just suggested, I think wisely, to us today, that we have the ministries come between 5 and 6. I know that there will be questions arising, particularly on Financial Institutions. This government, as did our government previously, knew how intertwined the Ministry of Housing is with the Ministry of Municipal Affairs and the Ministry of Revenue and has made one minister responsible.

I think it is most important that we have access to these people once we have the written documentation. I for one am certainly going to be requesting that we have opportunities between 5 and 6, or Monday mornings between 10 and 11 or whatever time, but I do not want the impression to be given today that just getting this in writing is going to be satisfactory to myself. I feel most important that we have to have a dialogue with experts in the field.

Mr Drainville: I want to make it clear that in terms of Ms Poole's motion, very simply, the motion was a request for information, partially based upon the list that is here and also any other questions that may come forth from the standing committee, seeking further information to help us make the decisions that we need to as a committee and that is the focus of your motion.

Ms Poole: That is right. I would just suggest that maybe members could submit their questions in writing some time this week to the clerk.

The Chair: The sooner the better, and of course members have the assistance of our able research staff. Any further comments before I call the question?

Mr Turnbull: With respect to Mrs O'Neill's comments that we should reserve the right to call those ministries after we have received the written submissions, I do not think it is inconsistent with what we asked for originally, or in fact what Mrs Harrington said, that they should be available.

The Chair: The clerk suggests that maybe Ms Poole's motion could be—

Clerk of the Committee: It is already part of that motion.

The Chair: I see, it is already part of the motion. I am sorry, I missed that last five- or six-word addition.

I think we have had full discussion. I am going to read the motion and then I will call the vote.

Mrs Poole moves that the committee members submit to the Chair questions to be directed to the ministries outlined in Mr Tilson's first motion and that the committee reconsider inviting these people at a later date.

All in favour? Contrary?

Motion agreed to.

The Chair: This committee stands adjourned until 2 pm this afternoon and the change in schedule is that we will hear from the ministry staff from 5 to 6. Thank you for your co-operation.

The committee adjourned at 1302.

AFTERNOON SITTING

The committee resumed at 1408.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Chair: The Chair sees a quorum. Before we hear our first presenter, I want to inform the committee that some time ago I requested information from the legislative research department concerning the bill that is under discussion. I found the information interesting and useful and I ask the table officers to distribute this document to all members. I hope that you find it useful and interesting also.

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

The Chair: Our first presenter is Kensington-Bellwoods Community Legal Services. What I would ask the presenters to do, please, is to introduce themselves individually, or the chair can introduce all at the table, state their organization and the position within their organization.

It is now 2:10. The presenters will have until 2:50. Twenty minutes will be allowed for presentation and 20 minutes will be reserved for questions to be divided up equally among the three parties, as has been agreed.

It is nice to have you here.

Ms Pereira: My name is Katryn Pereira. I am a staff lawyer at Kensington-Bellwoods Community Legal Services, which is a community legal clinic located in downtown Toronto serving the area just west of Spadina between Ossington, Spadina, Bloor Street West and the Lakeshore, for those from Toronto.

Ed Smith is head of the 745 Bloor Street West Tenants' Association, which is a tenants' association in a building located at Christie and Bloor Street West. Ralph Rozema is head of the 800 Richmond Street West Tenants' Association, which is an association from the building just southwest, approximately, of Queen Street West and Bathurst.

They will be speaking about the individual situations in their buildings and the kinds of increases they have experienced and the reasons why and how essentially certain maintenance and repair conditions have not changed, but they have experienced certain increases as a result of the present legislation and why they see a need for change.

I will be making more general remarks at the beginning. My remarks are naturally confined to my experience, which has been only in Toronto. So I will be talking mainly about my experience representing and talking to my

clients in their responses, largely, to landlords' applications for rent increases, and this will be largely downtown Toronto obviously.

My clients and I welcome this opportunity to make submissions today. It is a shame, however, that evening hearings were not set up or that I have not had the opportunity to bring my clients to evening hearings. A lot of these people, if they work, and many of them do work, are working at jobs where they do not have the flexibility to take time off during the day and also, because of job security, would not be able to take time off. This would certainly not be seen as a valid reason by their employer, to come here.

I could bring you hundreds of people had we had evening hearings, hundreds of very angry and upset and indignant people, to talk about the present legislation, and I am very sorry I have not had the opportunity to do that. However, I am glad that I am able to come and that Ralph and Ed have been able to come as well.

Tenants' groups and community legal clinics have heard rumours that people in government and in the opposition are wondering why there has not been greater support expressed for the proposed amendments or for radical change to the present legislation. I would like to make clear, and this is perhaps a little anecdotal, that my clients anyway expect radical changes to the present rent review system and feel that they made their views known in September when they voted for the present government.

A lot of my clients for the first time told me they were voting the way they were voting simply because I had told them that the kinds of increases they had experienced were perfectly justified under the present legislation and there was not a whole lot I could do to oppose them or appeal them. It was their view that this was extremely unfair. Most of my clients have absolutely no understanding of what justified or underlay these increases.

Should there be any doubt that tenants support radical changes to the rent review system, I would just like to clarify that there should be no doubt. In my experience, tenants expect and would wholly support dramatic changes, but in the short term, the kinds of changes that the amendment act that has been proposed would carry out.

My clients and Kensington-Bellwoods support the Residential Rent Regulation Amendment Act as a whole. We see the need for an immediate amendment to stop the rapid escalation of rents. Landlords have argued that there is a need for consultation over the long term, that immediate legislation is unnecessary and would wreak great hardship on tenants and landlords alike. Our position is

that there is a need immediately to stop the rapid escalation of rents.

We see this as preferable to the alternative, which would be rollbacks at a time in the future, one or two years down the road, when permanent legislation might be put in place, simply because at that time rents would be so high that people just could not afford to live in my area of Toronto any more anyway. At that point, however, many tenants would already have moved out of Toronto and lost their apartments or would have been forced into more transient kinds of accommodation.

Kensington-Bellwoods, being a community legal clinic, represents mainly low-income tenants obviously, people who work in the garment industry, minimum-wage jobs, the food preparation industry, security guards and also a lot of elderly and disabled people. These tenants are finding it increasingly difficult to pay rent. If there were no immediate amendments to the legislation, these people would be squeezed out of Toronto and are being squeezed out of Toronto.

As well, a lot of these people are overcrowding their apartments, because they have had to double up their incomes. I have experienced families of four living in bachelor apartments or one-bedroom apartments simply because alternative accommodation is not affordable to them. So we need legislation now, and the tenants groups and my clinic support this amendment act in the short term because it is immediate legislation.

Our vision of society and of the community in downtown Toronto where we live is not a society of families of four living in bachelor apartments, of people being forced to go to rooming houses and hostels because they cannot afford their accommodation. We must stop the escalation now while the situation is studied. We are in a situation of crisis, and I cannot emphasize this strongly enough.

The paramount objective, it is our submission, of any legislation, be it temporary or permanent, must be affordability. I think the issue cannot be clouded with other issues of maintenance and disrepair, as serious as those issues are. The paramount objective must be affordability so that we can preserve the kind of society we want to see maintained, in Toronto in particular, where all classes can live and where it is not simply an élite community, where there are not ghettos leading to greater social costs that have to be paid for out of other budgets, other ministries, with other programs.

I would like, however, to briefly address the issues that landlords in particular have raised about maintenance and disrepair. I think Mr Rozema and Mr Smith will go into this in a little more detail, but both the past and present landlords of their buildings have done essentially nothing in the last five years to maintain or repair or renovate necessary or luxury items in their buildings, and this has been under a system which has allowed costs to be passed through. So it is our position that this situation would not change dramatically over the next two years because of the proposed amendments.

A lot of landlords have said that because they now cannot pass these costs through, capital expenditure costs

in particular, they simply will not be able to afford the kinds of maintenance and repair costs they feel they may have to undergo. The reality is that they have not been maintaining or repairing or renovating these buildings in the last five years, so why would they do so in the next two years, except maybe to fulfil certain legal obligations that we are forcing them to fulfil. It is simply a myth that they will have to forgo such costs because of the proposed amendments. Those landlords who are truly concerned about their real estate investments will make an effort to ensure that their buildings are properly maintained, and that has been our experience.

We believe these amendments should be seen as a stopgap measure intended to deal with a crisis situation. However, a rent control system alone should not be seen to be able to solely address the problems of declining housing standards caused in Toronto in particular by an aging housing stock as well as landlords' ongoing deliberate neglect. It is our submission that a network of new legislation, new programs and responsive enforcement mechanisms at all levels of government will be needed before the serious need for repairs and renovations in an aging housing stock is met.

I believe that people should not look to amendments to the RRRA as responding solely to the crisis that exists in deteriorating housing standards. There will be much more consultation and study needed before these issues can be addressed. Tenants would welcome the opportunity to be part of this consultation process and to be part of changes made in addressing these problems. However, we see this as a long-term situation and we do not see this as addressing the immediate crisis now, which is the rapid escalation of rents.

I would like to mention our particular support for two sections of the amendment act, subsections 100f(5) and 100h(3). Subsection 100f(5) ensures that any increase awarded will not be beyond the increase requested on the landlord's application. Subsection 100h(3) allows the minister to provide for the periodic payment of back rent resulting from an order where the order is issued more than three months after the first effective date of rent increase. These two sections, in our view, provide for more predictable planning by tenants for their financial future, something which has been lacking up to this time. As well, the minister has proposed a more easily understandable standard form notice of rent increase.

1420

Just to touch on these three areas, when landlords apply for a rent increase—in both of these cases they applied for rent increases and the order appeared several years later after the application was launched—the notice that tenants receive has four to five columns on it. It has dates all over the place and has legal terms on it, such as maximum legal rent and other terms that tenants simply do not understand, so that they do not have a clear idea of what they may be expected to pay.

They have no idea of when they are going to be expected to pay it and it is impossible for them to really plan for their financial future. It is unrealistic to expect them at that point as well to keep money aside for a possible

eventuality that it is going to be paid and a level of rent which is largely undetermined at the time the application is made.

We support a capping of increases at what the landlord anyway has applied for. We are aware of situations where landlords have been awarded more than they have applied for and we feel that this is incredibly unfair given that tenants have had no notice that this is what the rent may end up being.

Second, because applications are taking years to process, tenants have ended up having to pay huge amounts of arrears immediately, as soon as the orders come out. Some landlords have been generous and have allowed tenants two or three months to pay back what could constitute thousands of dollars, but other landlords have not and there is no legal obligation, apart from what is being proposed now, on landlords to allow tenants time to pay back their arrears.

We support the provision in the amendment act that gives the minister discretion to order that back rent be paid back over a 12-month period. Given that a lot of tenants are not represented at the initial application level, we would prefer that that section actually be mandatory, that if the order is issued more than three months after the first effective date of rent increase, the minister in fact has to give tenants the option of periodic repayment over 12 months.

We would prefer actually that it be mandatory, given that tenants may not be represented and, in my experience, often are not represented at the initial level so will not ask for this periodic repayment. The minister will not, in my experience, initiate something which is in the tenants' favour. The problem may then just continue, that tenants have to leave their homes because they are not able to afford the arrears.

The present rent review system is, in our experience, inaccessible and completely incomprehensible to most tenants who have no accounting background and no idea of accounting periods, reference year, base year, projected year, the residential complex cost index, RCCI, and the building operating cost index, BOCI, and the various cost indices that are used, phase-ins.

They are told they are only expected to pay one rent increase a year, and yet last year in this building two orders came out and phase-ins from the first order came through, so they were in fact paying three increases in a period of 12 months. Try to explain this to people and still assure them that the law says they only have to pay one rent increase a year. It makes absolutely no sense to people.

I have spent hours and hours in both group meetings and on an individual basis with people trying to explain how the landlords' financing costs are their responsibility and, believe me, it is completely impossible.

I think if a rent review system is to be politically and otherwise acceptable to tenants, it must be a system that is easily understood by them, and at the moment not only are they being landed with huge increases that are unacceptable and do make their accommodation unaffordable, but they have no idea why they are being given these increases.

This must change. I realize this amendment act will not change that and probably will not address the long delays in the processing of the applications. However, this is something more long-term that has to be addressed, and tenants are extremely concerned about this.

Mr Rozema will talk about 800 Richmond Street West.

The Chair: Sir, you have approximately three minutes.

Mr Rozema: Three minutes; all right. Ed Smith and I will split it.

My name is Ralph Rozema. I represent the tenants' association for 800 Richmond Street West. First, I would like to second all of Ms Pereira's remarks. I would concentrate on a couple of points. One is that we are talking of a building with Vietnamese, Portuguese, Italian and some English people.

This nonsense with an increase in May 1990, an increase on October 31 and phase-ins has resulted in a 23% increase within that time period. We are trying to tell people that this is legal, that they have one increase per year. If you buy a car or any other kind of thing, where do you get a 23% variability going back to September 1988 where you have to pay thousands of dollars in arrears? How can you explain this?

We have consumer protection laws which prevent people from increasing prices by 23% in one year by surprise. This act will stop the changes from going back retroactively, in effect, and will make it happen that the people know next year how much it is.

Mr Smith: I am Ed Smith. I represent the 745 Bloor Street West Tenants' Association at Bloor and Christie. We support the proposed amendments to the Residential Rent Regulation Act and adopt Ms Pereira's remarks.

Our building is tenanted by refugees, immigrants and fixed-income families such as myself on family benefits disability allowance. I personally find it necessary to stay in Toronto for medical treatment and care.

In June 1986 the building was purchased from Karak Apartments by Mr Dhillion and Mr Flora who immediately started various changes, including splitting the apartments in the rear of the building each into two tiny apartments and converting our locker room into an apartment.

By Canada Day 1987 the two ground-floor apartments in the front of the building had been converted to retail space in which the landlord operates a store. Most of these changes were done without a building permit and were all done without Rental Housing Protection Act approval.

In December 1987, Mr Dhillion bought out Mr Flora's share of the building and at the end of December 1987 Mr Dhillion applied to rent review services for a whole building review to get a rent increase to be effective 1 April 1988. This application was allowed on the grounds of financing costs and the illegal and sloppy renovations that were done to parts of the building.

The tenants were not informed of this application until December 1989, when only two of us received an order from the ministry followed by two notices of phase-in received in January 1990. The resulting total rent increase

of 15% above the guideline is retroactive to April 1988. This increase is currently under appeal.

You might also note that the long-time tenants in the units that were not renovated or repaired are also facing the largest rent increases as the landlord has been charging illegal rents on the new units and has also attempted to pass the renovation expenses and loss of rent from his store conversion on to the tenants.

As we wait for the results of our appeal, the situation in the building is as follows:

There are numerous city of Toronto work orders outstanding against the building. The building is infested with cockroaches and mice. The tenants still do not have such services as locker room, laundry room and window washing listed in the ministry orders. Ice or snow removal from the walkways is seldom done. We no longer have a building superintendent. The third floor hall ceiling leaks, as does the ceiling in apartment 10. The ceiling in the bedroom of apartment 3 collapsed just this week.

We still do not have a door intercom system as required by the city of Toronto work order dated 16 March 1990. Basic maintenance and repairs are not done. Hallways are seldom cleaned. Heat in the hallways has been cut off. Hot water and water pressure are almost non-existent. The landlord has been letting himself into apartment 9 without notice or permission contrary to section 93 of the Landlord and Tenant Act, and is also in violation of section 111 of the Landlord and Tenant Act, despite requests and warnings from our tenants' association.

A stop-work order against the landlord has been issued by the city of Toronto, department of buildings and inspections, for starting another illegal addition to his store in December 1990.

I have been subjected to various forms of harassment by the landlord for forming and leading a tenants' association. This harassment includes receiving five notices of termination over the last eight months.

1430

The Chair: Mr Smith, thank you. We have given you a couple of minutes of grace time. We have approximately 20 minutes for the committee. What I thought I would do is split that time equally, approximately seven minutes for everyone. We will start with the government members and go to the official opposition and then to the third party.

Mr Mammoliti: I have only a couple of questions. You mentioned earlier that for five years there were no minor repairs done to the buildings. I am not too sure which building you were referring to. Throughout this whole ordeal with the renovations, basically did your landlord bring up the fact that something had to get repaired and was that something that could have been prevented by minor repairs? Am I making myself clear at all? I am not? You mentioned minor repairs, but you did not really elaborate on it. You mentioned the fact that for five years minor repairs were not done to the building.

Mr Rozema: Who is the question to, sir?

Mr Mammoliti: I am assuming you went through the whole ordeal of rent review and the basis of the rent being

jacked up would include the fact that minor repairs had not been done. Is that the case?

Ms Pereira: Actually, perhaps I had better make something clear. In this building the main reason the landlord was allowed a 23% increase was because he had bought the building two years ago, and then the main reason he was allowed a second increase was that he allegedly increased the superintendents' salaries, although at various times in the last couple of years there have been no superintendents. That is the basis for those increases. Largely, financing costs were passed through.

In this building, it was again largely financing costs as well as renovation costs for these illegal renovations, which I suspect I will lose on, given certain Rent Review Hearings Board members' reactions to my submissions back in September. I still have not got the decision, but I believe those illegal renovation costs will also be allowed in this building.

Again, financing costs were the main grounds for the 15% increase in this building.

In neither case could I raise ongoing deliberate neglect on the landlord's part because the ongoing deliberate neglect had largely been—you do not get ongoing deliberate neglect for a landlord who has only owned the building for one or two years. It is the past landlords who were guilty of that, largely. However, the present landlords knew the situation, the state of the building when they bought it and probably got a bargain basement price because of it, but it is something that I could not raise to get the increase lowered. In both cases, we will probably have to live with the increase.

Mr Smith: If I might say, the increases that took place in my building were based on repairs and renovations that were not even done to my apartment. They were done to other apartments, conversions to other apartments and converting two of the apartments illegally into retail space.

Mr Mammoliti: Minor repairs or major repairs?

Mr Smith: He split large apartments into small apartments.

Mr Mammoliti: So they are actually renovations now.

Mr Smith: If you want to call them that. The floors are peeling off. The roofs are caving in and everything else—shoddy workmanship.

Ms Pereira: In both buildings there have been no major repairs done in the last several years, although they have been needed.

The Chair: We are short on time, if Mr Mammoliti will allow his colleague to ask a question. You may not have time.

Mr Duignan: In relation to your building at 745 Bloor Street West, what type of rent increases were you experiencing over the last four or five years?

Mr Smith: We have been getting guideline increases over the last five years, except that suddenly we got this rent review order and phase-in which would increase it 15% above the guideline, and we had no notice of that. We were not informed of it until the order came through.

Mr Duignan: Overall you are looking for an increase of about 20% including the guideline?

Mr Smith: Yes, and as I say, we were not notified that this was happening.

Ms Pereira: That was just over the last two years, the 20%.

The Chair: You have approximately 60 seconds for a question and an answer, Ms Harrington.

Ms Harrington: I want to thank you very much for coming this afternoon. You mentioned that in the long run you wanted a total change of the Residential Rent Regulation Act, which is the residential rent legislation that was passed back in 1986. I just want to clarify that. What you are saying is that you want to work with the government in the long term—we are hoping that might be this summer—to establish the legislation which will be totally new. Am I hearing that you are thinking the same?

Ms Pereira: Yes. We want a complete overhaul. We want a rent control system. We do not want a cost-pass-through system. We want the paramount objective to be seen to be affordability of rents and we would like to see the issues of maintenance and disrepair addressed in a more comprehensive manner through other programs and legislation.

The Chair: Thanks for your answer. Ms Poole, your seven minutes starts now.

Ms Poole: First of all, welcome to the committee. We are glad you took the time to come to present because tenants' viewpoints are very important to these hearings. You have made a number of comments which I certainly wholeheartedly endorse, such as the fact that there should not be an amount awarded beyond what the landlord asks. That is something I have felt strongly about for years. To allow tenants to pay the rent back over 12 months is a very reasonable provision which I think we should all support, and certainly your comment that you would like a more easily understood form of rent increase, and for that matter, a more easily understood system of rent review. The latter part I am sure will be addressed in the long-term process.

I was a little bit concerned about your comments vis-à-vis the major repairs and capital expenditures. I can understand that affordability should be of paramount importance. I agree with you on that, but I do not think that we can completely negate the major repairs-renovation issue. In my riding, which is probably a little different in makeup from where your buildings are located, I have 60% tenants so it is heavily populated and I have noticed that maintenance problems are just as important to tenants as affordability. I know that this is not true in all areas, but I know it is certainly a major factor.

You obviously have very good reasons for not wanting the major increases that have accrued from your landlord when your buildings are not in very good repair. You have basically paid a very heavy price for having new landlords who do not appear to be acting with any standards or keeping up the building. We are looking at this legislation and trying to figure out how we can make it work so that tenants are protected against the heavy rent increases and

at the same time landlords are encouraged to put maintenance into their buildings.

What would you think of a provision that said that there would be a cap on rent increases for any reason in this interim legislation, and hand in glove with that there would be a provision that the landlord could not even get the statutory guideline amount unless your landlord got a building certificate from the city stating that the day-to-day maintenance was kept up and the building was in a state of good repair? Would you see something like that working, where on the one hand you are forcing the landlords to do the maintenance or they do not even get the 4.6% or the 5.4% or whatever the rent guideline is that year, but at the same time you are saying that there are some necessary repairs that need to be done, but we are going to put a cap on what they could do in any given year and perhaps even over a three-year period?

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Ms Pereira: So you would continue to allow capital expenditure costs to be passed through?

Ms Poole: In the interim legislation what I am proposing is that some capital expenditures could go through, but there would be a cap on what the landlord would be allowed.

Mr Rozema: If I may respond to that, in the present case where landlords were allowed to pass through capital costs, they did not do a decent job or a responsible or a legal job of doing it. There are landlords who do a responsible job, but we are talking about landlords who do not. In terms of work orders of the city we were relying on something. In these buildings there have been numerous work orders. When are they done? I suspect what would happen is the same thing that happens when these buildings are sold, that the work orders are completed once, when the building is actually sold, and to an absolute minimum, arguing about each and every work order, drawing it out to the maximum and then clearing them up and selling them. I do not see it as a workable system, and again we are talking about landlords who just do not have an interest. They are going to take the money and say, "Come after me."

The Chair: Your seven minutes have expired. Mr Turnbull, you have seven minutes.

Mr Turnbull: In the interests of the time constraints I am going to ask you a lot of quick questions and perhaps you could respond quite briefly to me. You speak about your vision of society as affordable housing. What is your definition of "affordable" in terms of gross income?

Ms Pereira: In my written submission I gave a couple. For example, a single person on general welfare allowance or family benefits is allowed \$385 per month for shelter. A single parent with two children under 12 years of age on either of those forms of social assistance is allowed \$660 per month. A worker at a minimum-wage job, working a 40-hour week, would have gross earnings of \$864 a month; that is gross earnings to pay for all his or her needs. Obviously people such as those, because they constitute a large portion of my clientele, will have to be able to afford a rent that is not over 50%.

Mr Turnbull: Do I understand you correctly then that it would very much depend on the tenant as to how much you would consider was affordable?

Ms Pereira: I do not think people should be expected to pay more than 30% of their income on their shelter.

Mr Turnbull: Generally it is accepted at 30%, but that is fine.

Ms Pereira: Yes.

Mr Turnbull: So you would go along with the 30%?

Ms Pereira: Yes.

Mr Turnbull: Do you feel that it really is the job of landlords or possibly government to ensure affordability? We do not disagree on the question of affordability. I think it is essential that we provide people with decent accommodation, but really the question I want to ask is, is it essential that it be the landlords who provide this element of affordability?

Ms Pereira: I think it is essential that the government, in fulfilling its responsibility to the people, does ensure affordability of housing. I think that the landlord is running a business and has to take into account the costs of running this business, which include certain capital expenditures when they buy the building. I do not think the landlord can milk the tenants for all they are worth or beyond that.

Mr Turnbull: I am sorry. I do not want to seem as if I am cutting you off. It is just that I really want to ask these questions so that we get a lot of answers. You have stated that it is important that tenants have predictable financial situations. I think it was Mr Rozema who mentioned this and I think it is reasonable to say that. Are you aware of the fact that landlords had, under the existing legislation, predictable financial circumstances by legislation? No matter how you may say it is wrong, and I would probably be right along with you in some of the clauses in the present legislation are wrong, are you aware that landlords purchased buildings or renovated buildings within the framework of legislation that allowed them to do that with predictable financial results? Are you aware of that, first?

Mr Rozema: Yes, the hardship allowance allowed a profit to be made by the landlord and to pass it through to the tenants. Yes, I am aware of that.

Ms Pereira: Are you referring to the retroactivity measure of the amendment act?

Mr Turnbull: What I am getting at is the fact that if one said, "Okay, as of 1 October we will not allow any more renovations or any pass-through of the financial losses with respect to new transactions," but those people who had gone into transactions prior to that and have spent the money, in some cases their life savings, is it reasonable that they should not enjoy the same kind of predictable financial circumstances? They have not rolled the dice. It is not a crap shoot. They have gone in within the legislation.

Ms Pereira: I agree. However, I think the comparison is a little bit unfortunate. You are talking just about someone who owns a building, in this case worth over \$7 million, and comparing him with someone who is about to

lose his home and live in a shelter or a rooming house. I just think the comparison is frankly odious.

Mr Turnbull: No, it goes back to my first question as to who should provide the affordability. In your particular example, you have a large building, but I am talking in the general sense, small buildings where people have put their life savings into buying maybe a 20-room apartment building and they are in danger of losing it. I just want to address the retroactivity. We do not disagree with the affordability; please do not misunderstand me.

Ms Pereira: I think I see this situation as being a crisis situation, and yes, there will be people who will suffer, but I am coming here frankly on behalf of tenants. What can I say?

Mr Turnbull: Yes, I understand.

Ms Pereira: They are the people who have suffered for years. Landlords, yes, will suffer in the short term for those few months that they were counting on a certain kind of legislation, but I am afraid that is going to have to be the case.

The Chair: Thank you very much. I want to thank your organization for coming before us. We appreciated your information. The committee has a tight schedule. We are going to move right along. Thank you again.

As the committee schedule shows, O'Shanter Development Co is next on the list. Sir, come forward. While witnesses are moving to the table, the clerk will distribute the information. I note that she has no help. What happened to all of our aides? Sir, will you please introduce yourself and state the organization you are representing and your position within that organization. You have been allocated a total of 40 minutes.

Ms Harrington: On a point of order, Mr Chairman: As an individual, we had agreed as a committee it would be 20 minutes and an organization—

The Chair: I believe the clerk adequately explained it to Mr Abel when he asked why this individual was allocated 40 minutes.

Mr Abel: On the point of order—

The Chair: Your time has not started yet. We are on a point of order.

Mr Abel: —I did bring this matter to your attention and we feel that it has not been adequately dealt with. The committee does have guidelines. We feel we should follow these guidelines. An individual is entitled to 20 minutes. We do not want this committee or yourself as the Chair to be accused of favouring one side or the other. I do not know this person. I do not know where he is coming from. That is not why we raise this point of order. It is solely based on the fact that the guidelines clearly stipulate that each individual will be allowed 20 minutes and I would recommend that we follow those guidelines.

The Chair: I am going to try not to get angry, Mr Abel. I am going to try very hard.

Mr Abel: Thank you.

The Chair: I want to let you know that we have no hard and fast stipulations, as you referred to. This committee

has given instructions to myself and the clerk. We were told to try, to the best of our ability, to allocate the times for organizations and for individuals. It was discussed and if you will check Hansard you will be able to recall it was discussed that there was leeway in that, depending on the individual, what the individual wanted to do and how large an interest the individual had and whether or not that would be fair. I trust the judgement of the clerk. I have asked the clerk for an explanation. I have fully accepted the clerk's explanation, and this committee is going to have to decide—

Mr Mammoliti: On a point of information.

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The Chair: No, let me finish, please. This committee will have to decide whether or not we trust the judgement of the clerk and myself or whether or not we as a committee will sit down and go over each and every person and/or organization that has submitted its intentions to be presenters and decide as a committee. I will not allow for the clerk to go through a procedure, explain the procedure to a point which I think is very fair and then have the rug pulled out from under her or from under me. This committee will have to decide today whether you think the clerk and myself can be fair as two people can be fair or whether or not the whole committee will do it. I will not accept anything in between.

Mr Mammoliti: Point of information: I want to relate to the word that we actually used a few weeks ago. That was "umbrella." Was it not an umbrella group or an umbrella organization?

Clerk of the Committee: Groups.

Mr Mammoliti: I am asking the Chair.

The Chair: I believe I have given as full an explanation as I can possibly give to this committee. The committee will have to decide whether or not you are going to entrust the clerk and myself to be fair and to present the list the best way we possibly can or whether or not the committee is going to do it. There can be no in-between.

Mr Mammoliti: Mr Chairman, you are not listening to me.

The Chair: I am listening to you and I am telling you there cannot be an in-between. The Chairman has the right to make that decision.

Mr Mammoliti: Mr Chairman, hold on. I am asking you a question. Did we not say umbrella organization or umbrella group? That is all I asked you.

The Chair: I believe I understand and recall correctly what was discussed.

Mr Mammoliti: Yes or no?

The Chair: There was the term umbrella organization used and there was flexibility given to us because it is not cut and dried like a one-pound piece of substance that you can wrap up and deliver as 16 ounces. It is not like that, I am sorry to tell you.

Mr Abel: Thank you, Mr Chair. You used the word "fairness" several times in your statements here to this committee and that is exactly why we raise this objection.

We feel that it is our responsibility as a committee to be fair to all the presenters. We feel that if we start giving individuals 40 minutes, that is not fair to the people who have been slotted for 20 minutes. We feel in this regard we should be consistent throughout. That is why on those grounds we raise this objection.

The Chair: With all due respect to you, sir, we have been more than fair and the clerk—

Mr Abel: You have only just begun. This is our second presentation.

The Chair: —has been more than professional, as was stated by your own colleagues this morning. I am not going to countenance this. I do not have to, as the Chairman. I have given you, as the committee, an alternative. If you men and women do not think that the clerk and I can be fair, then we are not going to do it and we are going to do it as a committee. We have the lists. We will finish up with our organizations this afternoon. The committee can reconvene tonight at 8 o'clock and we will go over each and every one until we have some kind of consensus as to how much time each organization is going to get. I am not going to allow any person on this committee to put the clerk or myself in the kind of position that you are trying to put me in today.

Ms Poole: I think part of the misunderstanding has come about because we all have different connotations of what the word "umbrella" means. To me, when we talked—

The Chair: The clerk has referred to some of her notes and the word is "organization." That is in the minute book.

Ms Poole: That is right. I think we as a committee, probably each one of us, was a little remiss in not fully explaining. What was in my mind was province-wide umbrella groups. Other people thought if there was a tenants' association, for instance, or a large number of investors in one company, that it was an umbrella group. Because of the fact that a lot of the timing of this took place over the Christmas holidays, there were not a lot of steering committee meetings to guide the clerk. I think she has truly done a remarkable job in very difficult circumstances. I do not think there was anything untoward but I suspect, when she first started scheduling, that if you had a large number of investments, which I assume this development company has, or if you had—what is it I saw?—Parkdale Tenants' Association on next Tuesday, they have 40 minutes and they are an association. How do you draw the line? I think it has happened on both cases simply because we were not specific enough in what we said. I am sure some members of this committee right now feel that if there is one tenants' association, it should be an umbrella group. There are others who feel if there is one investor group with 10 investors, then it should be an umbrella group. I think we are probably being somewhat unfair to have expected the clerk to read our minds and know what we meant.

Mr Turnbull: Mr Chair, first of all I want to support you in this issue and I want to draw the attention of the government members to the first organizational meeting

we had of this committee. At the time we discussed it, I particularly drew out the point, and you can look at Hansard if you have any difficulty with this, that large landlords should be treated in the same way as large tenant groups. Clearly if you have a situation where the tenant group is typically for one or two buildings, it would seem unreasonable that the landlord who owns those two buildings and an equal number of units is not afforded the same kind of treatment. If you look at Hansard there will be no doubt about this—and there was not a great discussion at that time, so I want to support the Chair in this—this was specifically mentioned at the time. Maybe your memories are a little fuzzy on this issue, but it is very clear that if you have a landlord of a single apartment building, he should maybe be treated the same as a tenant group for that building.

Mrs Y. O'Neill: In my kindest frame of mind, I have found today more than difficult. I have never seen witnesses and/or chairs and clerks treated with so much inconvenience, and if I may add, in some cases disrespect. I feel that if there was a lot of difficulty with this agenda, this is certainly not the moment to bring it forward. You called a meeting at 9 o'clock this morning in private. There were many ways in which the clerk could have been contacted. She is a very open person. You yourself as Chair could have been contacted. But to have an individual who represents a large group of people be here on time to make a presentation, knowing that we have four other presenters plus a group of paid civil servants waiting and now to have this kind of a debate, I fully endorse your ruling, Mr Chairman. I certainly support your decision and I know that you are right, that we have to have you and the clerk in charge. We gave you directions and I will not engage if we do as a committee go into debate over each individual person who is coming. I will remove myself from the debate, because I do not think it is ethical or correct.

Mr Drainville: I guess there are a couple of issues I am going to very briefly address myself to. The first one is the fact that I think this committee needs, at some point, to schedule a time in camera when this committee can talk about a number of issues. I have concerns. I have concerns about process and concerns about understandings that we apparently do not share in the committee. They need to be ironed out a little more effectively if we are going to be able to work expeditiously at the issues that are at hand. So I would recommend that we plan on meeting as soon as possible to clear up some of these procedural questions.

I also can say that I am absolutely positive that any of the comments that have been made on the part of the members who have spoken before were not meant in any sense to question the integrity of either yourself or the clerk. That is again up to you, Mr Chair, how you are going to take that, but certainly myself, I do not mean to impugn your integrity.

What I do mean to say, however, is that I have questions myself about this. That does not mean anything to do with integrity; it has to do with my understanding, which obviously is different from that of some of the members of the standing committee. The fact that there is a difference

is a problem. We need to work out these procedural and process issues. I would recommend that we establish a time when the committee can deal with these things out in the open.

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Mr Turnbull: On a point of interest, I want to just get clarification from Mr Drainville. First of all, he was talking about discussing it in camera and now he is talking about in the open. What is it you are wanting?

Mr Drainville: That we need to talk about some of the procedures and some of the understandings that we have. Our understanding of the definitions.

Mr Turnbull: But in the open or in camera?

Mr Drainville: In camera. I think the thrashing out needs to be done in camera.

Mr Turnbull: What happened to open government?

Ms Poole: Mr Chairman, on a point of order: We do have five presenters this afternoon, plus the Ministry of Housing. I wonder if we could agree to meet tomorrow morning prior to the start of our presentations? I hate to keep doing this and warping the committee's schedule, but I do not think it is fair to our presenters to continue this debate at this time.

The Chair: I am available this evening. Unfortunately, I am not available tomorrow morning before 10. I have planned other things around the schedule that we had agreed to.

Ms Harrington: I will be very brief. First of all, I feel a spirit of goodwill and we have to have that. We want to be helpful. The very fact of raising a point of order with this committee does not indicate any kind of ill feeling and, if I can say this without any disrespect, there is no reason the Chair should raise his voice to this committee when it is a simple request for information. I would like to request whether the clerk has agreed that she would make these determinations, whether it is to be a 20 minutes or 40 minutes, because just from looking at the name on the program for this afternoon, it says "co-owner," so we thought this was, at most, two people. In effect, it is one presenter. But I would like to ask the clerk if she has agreed to make these determinations. I did not know that.

The Chair: What annoys me the most, Ms Harrington, is that an explanation was given to Mr Abel and then further to that I asked the clerk to give me again the explanation for her decision. I found her explanation to be more than adequate. As a matter of fact, I believe she made the right decision. I conveyed those comments to Mr Abel. Then Mr Abel took the most unusual step of raising a point of order before the committee, questioning the decision that had been made by the clerk, which had fully been explained to him and had been fully explained to me. I found that to be unusual, I found that to be, and as kind as I can be to Mr Abel, at the very least pulling the rug out from underneath our clerk and myself, who have been following the instructions of this committee.

I would have to say that if all of us got together in a private room and spent 12 hours in that room, when we would leave, the final decisions that we would make on

who would get 20 minutes and who would get 40 minutes could probably not diverge very much from what the clerk, who has great experience in this, and myself would probably conclude. I found the manner and the way in which Mr Abel has done this to be highly offensive and I regret deeply that it was brought out in this manner.

I am here to do the committee's will, but at the same time, the committee must work with myself and the clerk. I hope, as all of you gain experience in the Legislature and work on other committees, that some day you will be able to say that when Mancini was Chairman he was pretty fair and pretty competent and the clerk that we have today was the same. I am sorry that some members of the committee feel that I maybe should not have reacted the way I did, but I hope that my comments now fully explain to the entire committee why I am as upset as I am.

Ms Harrington: I am sorry, Mr Chairman. It was not communicated to our members why the decision had been made that way, and maybe that is the cause of the disagreement.

The Chair: The clerk visited my office yesterday afternoon after 5 o'clock. We went over the list again and I said to her, "Can you stay later on and redo everything for me, please, because I'm sure someone on the committee will question us on it." I do not know what time she left. I left close to 6 and I know she was still here. I repeat to the committee, you as a committee either must trust myself and the clerk to be fair or we have to do it together. As the Chairman, I will not accept anything in between, I am sorry to have to tell you.

Mr Drainville: Perhaps, Mr Chair, I should then say what I was going to say in a motion. I move that we meet as a committee to deal with some of these difficulties tomorrow morning.

The Chair: The Chair is not available tomorrow morning; the Chair is available tonight. Unfortunately, I made other arrangements for tomorrow morning, because I assumed we would have our business done this morning from 9 to 10 and we would commence our work tomorrow morning at 10 am. If I could change it I would, but tonight I am available for as long as the committee wishes to sit.

Mr Abel: Is the Vice-Chair available in the morning?

The Chair: If the committee wants to make all these decisions without the Chair.

Mr Tilson: No.

Ms Poole: I personally would be reluctant to do that. The Chair is an integral part of this particular issue, so I do not think that would be fair. The only alternative I could suggest is that perhaps tomorrow, immediately after the third presentation in the morning, we reserve a maximum of half an hour so we can try to get some business done in our offices during the lunch hour.

The Chair: From 12 to 1 tomorrow? That would be fine with me.

Clerk of the Committee: Closed session?

The Chair: We could have a closed session, if that is the will of the committee.

Mrs Y. O'Neill: I find that very objectionable.

Mr Tilson: I do, too. I am prepared to meet, Mr Chair. With respect to closed, either we have open government or we do not.

Mrs Y. O'Neill: The people in Ontario need to know the rules under which we are operating.

The Chair: I am operating under the traditions of the Legislature.

Mrs Y. O'Neill: Exactly.

Mr Tilson: We agree with you, Mr Chairman.

The Chair: I do not think I am any better at the rules than anyone else here, but I think over the last 16 years as a member I have absorbed the rules and traditions of the Legislature. There are some conventions I have learned.

Mrs Y. O'Neill: People have a right to know what we mean by what we say, and I think we should be determining that in public.

Mr Drainville: I move that we continue with the presentations, Mr Chairman. This has gone on quite long enough.

Mr Tilson: Do you withdraw your other motion?

Mr Drainville: I do.

Mrs Y. O'Neill: I do not know why we need closed sessions.

O'SHANTER DEVELOPMENT CO LTD

The Chair: Seeing no objection that we continue, I would like you to introduce yourself, sir, state your name, organization and the position you hold within that organization. It is 3:10. The committee has allotted you 40 minutes, so you have until 3:50.

Mr Krehm: Thank you for the opportunity to appear before you today. My name is Jonathan Krehm. I am one of the principals of O'Shanter Development Co Ltd, a Metropolitan Toronto-based property management firm, a family business which manages some 2,800 apartments in Metro Toronto. We have been in residential property management for over 25 years. In our organization I have overseen our rent review department for the last nine years. In that capacity I have acquired much experience and some knowledge of Ontario's rent control regime.

Bill 4 is terrible legislation guided by a frontier justice mentality: Let's shoot first and ask questions later. It is premised on disinformation and prejudice. The realities of rental housing in Ontario need to be looked at by this committee, as the Minister of Housing has to date been unwilling to do so. Our Premier and Mr Cooke have repeatedly made references to 150% rent increases. The implication has been that this legislation is needed to save thousands of tenants from such increases. The reality is that in the last two years 154 apartment units in this province have had rent increases applied for of more than 100%. Bill 4 affects 1,200,000 units. As far less than 1% of the tenants in this province receive large increases, why was a simple cap not used instead of gutting our rent review system? Billions of dollars of destroyed equity and the loss of thousands of renovation jobs could be avoided. Vandalizing Ontario's private rental industry, I assure you, will not protect tenants in this province. This draconian

legislation is based on a belief that landlords make big profits and returns on their capital. Reality for Ontario's rental industry has been otherwise for a long time.

I have brought copies for the members of this committee of three Ontario government-generated studies which deal with the financial state of the industry. I have brought copies of these studies because the older two studies are now out of print. These studies are: (1) The Impact of Rent Review on Rental Housing in Ontario, a staff research report published in July 1982 by the ministries of Municipal Affairs and Housing; (2) Survey of Financial Performance of Landlords, research study 7, prepared by Campbell, Sharp for the Royal Commission of Inquiry into Residential Tenancies published in October 1984; (3) Financial Trends and Other Characteristics of Ontario's Residential Rental Stock, prepared by Royal LePage Real Estate Consulting Services for the Ministry of Housing rent review policy branch in August 1989.

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I would like to run through some of the findings of these studies. The 1982 Lavery study, in its section on comparative rates of return on page 85, concludes, "In general, the buildings in our sample did not perform strongly relative to their landlord's targets, the rate of inflation, the returns in other industries or the stock market."

When I refer to tables, I have attached at the back additional copies of the tables in the copies of the brief which I left. Table 4.12, comparing after-tax returns on capital in various industries, shows that for the period 1971-80 the rental buildings used in the survey had the lowest annual average rate of return; this rate of 5.4% was less than half the 11.7% annual average for industry in general.

The oft-quoted myth used to dismiss the realities of the low rates of returns which are the norm in the rental industry is to talk about high capital gains that are available to landlords. On page 95, the discussion of capital gains presents the facts.

"Some consideration of capital has been incorporated into the calculation of the rate of return in the last chapter. It is useful, however, to give further consideration to the capital gains experience of the past decade to highlight the trends relative to inflation in general and to the increase in the price of other real estate...It should be apparent that while apartment building prices generally increased both before and after rent review, the increases were quite low relative to the general rate of inflation and real estate prices in general.

"The failure of rental apartment prices to keep pace with other increases in recent years is further highlighted in table 5.2. Here, average unit prices are contrasted with the prices that would have resulted had apartment value increases kept pace with general inflation. In five of the six political jurisdictions in Metropolitan Toronto, unit values fell relative to inflation....

"This trend confirms similar evidence collected by L. B. Smith and P. Tomlinson, which is presented in table 5.3. In addition, Smith and Tomlinson have noted the decrease in the value of rental apartments relative to the values of ownership housing, both freehold and condominium. This

highlights the fact that the considerable gains of home owners should not be confused with the much lower increases for rental apartments.

"The actual capital gains experience is relevant to the claim that apartment owners need not make profits from the operation of the building because they can rely on capital gains to produce an adequate return on capital. Clearly this is not so, nor should it be expected."

The 1984 Campbell, Sharp study prepared for the Thom commission updates where Mr Lavery's group left off in 1982. On the issue of revenues, on page 9 it states: "After the introduction of rent review legislation, on a per-unit basis, real revenue declined by approximately 18% from 1976 through 1984."

On page 23, landlords' profitability is discussed. Before rent review, on a per-unit, inflation-adjusted basis the above observations are apparently supported. Landlords' profitability was already in a decline on both a percentage-of-revenue basis and on an earnings-dollar-per-unit basis.

On landlords' profitability during rent review: "As outlined above, profitability was already in decline at the date of imposition of the legislation. The introduction of rent review legislation appears to have accelerated the decline.

"On a historical dollar basis, profitability increased subsequent to 1975. However, owing to the mechanics of the rent review cost-pass-through procedure, mathematically the share of expenses to revenue must increase on a percentage basis, thereby reducing profit margins....

"On a per-unit, inflation-adjusted basis, another phenomenon was observed, namely, that rental revenue per unit, in real dollars, decreased. Rent increases have obviously not, for whatever reason, kept pace with inflation."

Some of the studies' conclusions are presented on page 38:

"The following observations can be made with respect to the economics of investment in rental apartments, based upon the financial results of the test group:

"Real profitability has declined by about one third since 1970; most of the decline occurred during 1974 and 1975 and the period 1976 through 1983. Inflation appears to be the cause of the profitability decline in 1974 and 1975. Thereafter, the impact of inflation and the ceilings on rent increases apparently caused the profitability decline.

"Conversely, the increase in actual profits was significantly below the rate of inflation both before and after the implementation of rent review. However, the disparity between the growth in actual profits and inflation was much greater after rent review was introduced.

"Operating expenses did not abate over the period. They actually grew by an amount virtually equal to the rate of inflation.

"In so far as actual rent received grew at a substantially lower rate than the rate of inflation after 1975...., the benefits passed on to tenants through lower rents were paid for by the landlords in the form of a reduced return on investment.

"The declining ROI is reflected in the wide disparity between the estimated market value (using earnings before interest, depreciation and income taxes as the measure of value) and the inflation-adjusted original cost.

"Real earnings (expressed as a percentage of original cost) since 1975 can be seen to be well below the range experienced before the first impact of inflation in 1974-75 and rent review in 1975-76. Recent returns are well below returns that may be realized from investing in risk-free securities such as government bonds or term deposits."

Once again, the 1989 Royal LePage study carries on from where Campbell, Sharp left off in 1984. On page XI of the executive summary we find the following comment: Compared to other investments, residential rental investment has performed poorly. Other real estate markets have higher overall capitalization rates and higher returns. Treasury bills, Canada savings bonds and corporate paper returns have also outpaced rental market returns over the last 20 years. A comparison of the Toronto Stock Exchange, Scotia McLeod and Morguard Property indices show that the rental market index did not perform nearly as well as the other investment markets."

On page 28 we find a continuation of the trends discussed in the two earlier studies with respect to values. The value of residential rental property is tied to the cash flow and to overall market values. The value of condominium apartments and town houses are based on market value alone. To a large degree, market value is established by the amount someone is willing to pay for either rental or ownership. For this section, market value is represented by actual transactions as provided by brokers in select Ontario municipalities.

"Exhibit II-11 shows rental and ownership apartment sales prices between 1975 and 1989...The rental unit value is significantly less than the ownership unit value. In 1975, the rental value was approximately 66% of that of the ownership units. With the increasing market acceptance of condominiums, owned units skyrocketed in value to 172,000 in 1989, compared to \$65,000 for a rental unit. In 1989, rental units represented approximately 17% of the value of owned apartment units. It should be noted that ownership units tend to be newer, and have more amenities than rental units. However, rental units are still worth considerably less in the marketplace. They also increased at a considerably slower annual rate of 6% between 1975 and 1984, compared to 16.9% for an owned apartment unit, 8.3% for an owned town house and 13% for a single-family home. This is because the value for such units is tied to the cash flow or the capitalized value of the net income. Lower rent levels depress capitalized values and market values."

And further on pages 70 and 72: "Capital Appreciation: The buildings included in the Royal LePage sample increased at a modest 6%-8% annual growth rate throughout the period. Considering an adjustment for inflation, real growth has been nominal or, in many cases, non-existent. Therefore, long-term capital gains in the rental market have been minimal, especially given the significant increases of other real estate market sectors.

"Summary: In summary, the returns provided to residential rental investors decreased throughout the period from return on equity in the 8%-9% range in the early 1970s to 3%-4% in the late 1980s. Capitalization rates also declined, from 8%-9% in the early 1970s to 6%-7% in the late 1980s. Many people claim that while annual rates of return are low, capital gains offer long-term potential. However, this was not the case in the past 20 years. The residential rental market increased at a modest 6%-8% average annual growth rate which, adjusted for inflation, translates to minimal or non-existent gains. Therefore, residential rental investors must be satisfied with low annual returns and relatively minimal capital gains.

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"Exhibit V-2 compares corporate paper, Treasury bills and Canada savings bond returns to those of the residential rental market. In the 1968-70 period, all rates of return ranged from 6%-8%. By the early 1980s, with high inflation interest rates, Canada savings bonds earned 13% while Treasury bills earned 12.2% return. By comparison, the residential rental investment was lower and provided investors with 7%-9% returns. By the late 1980s, the gap widened significantly with CSBs and T-bills at 9%-10% and rental returns at 3.4%.

"Exhibit V-3 compares the Toronto Stock Exchange, Scotia McLeod and consumer price and Morguard property indices with that of the residential rental market from 1972-88. The residential rental market index was calculated based on Royal LePage data base market unit values and return on equity....

"The Scotia McLeod index increased from 100 points in 1972 to 476 in 1988. The TSE index increased at a greater rate to 562 points; the CPI increased 326 points and the Morguard property index escalated to 1,040 points in 1988. The calculated rental market index did not perform as well as the others and rose only to 256 points in 1988."

The retroactive nature of this bill transgresses all rules of natural justice and fair play. Mr Cooke has consistently misled the media and the public with statements that the effect of the moratorium will not cover rent increases that were effected before 1 October 1990. The facts once again are otherwise. One of the mechanisms of Ontario's rent review program has been the phasing-in of various kinds of rent increases. This was developed for tenant protection and spread the impact of certain kinds of rent increases over time.

Phase-ins result from orders for financial loss, economic loss and equalization. The phase-ins could have been ordered on applications which date back to 1987. The nullification of increases determined by orders on applications filed as long as four years ago is the sort of travesty of justice that is commonplace in totalitarian regimes. Winning an election is not a licence for bad government.

The ending of capital expenditure allowances has thrown out of work thousands of workers employed in renovations. The need for the refurbishment and upgrading of Ontario's rental housing stock is undeniable. In the LePage study, on page 64, this is discussed. There is a

misprint in my submission: I have page 6 there; it should be page 64.

"Capital expenditures: (1) Trends: Ontario's residential rental stock is found in high-rise (40%) and low-rise (60%) buildings. Most of the high-rise buildings were constructed in the 1960s and early 1970s and are now over 20 years old. As such, the need for repairs will increase....

"Low-rise buildings tend to be older. Peter Barnard (1985) found that one quarter of low-rise buildings surveyed were found to be in need of rehabilitation with foundation walls and energy efficiency concerns. Barnard states:

'The rehabilitation needs found within much of the "big city" low-rise stock, coupled with the bare minimum "crisis-management" levels of repair and maintenance currently being invested in many buildings, poses a very real threat to the continued existence of some of this stock.'

"For Canada, Clayton comments that: 'The focus is shifting to the maintenance and improvement of the existing housing stock. Since the early 1970s, renovation activity has experienced a rate of growth similar to the rapid growth characterizing new residential construction activity in the first three decades after the Second World War. In the 1990s, a further shift in spending is expected away from new construction and toward renovation.'

"Clayton concludes that: 'As the rental housing stock in Canada ages and becomes obsolete, a significant increase will be needed in real spending on maintenance and upgrading. However, the extent to which this increased spending arises will largely be determined by the presence of rent controls through the 1990s, the provisions of these rent controls for allowable rent increases in older buildings and the rate of return allowed on renovation investments...Without the prospect of increased profits, many landlords are likely to defer major renovation work. In addition, it is unlikely that government subsidies to encourage rental renovation work would be of a scale to cause substantial growth in this category of renovation spending.'"

Mr Cooke again has decided to address this issue with disinformation. He has denied all evidence of job loss resulting from Bill 4. What unhappy irony to watch the minister from the party of the workers telling the unemployed that they do not exist.

He has answered the abrupt halt in capital expenditure programs with misleading statistics. Mr Cooke scoffs at industry estimates of stopped work by citing a supposed maximum of \$122 million of ordered capital work by rent review orders in any one year. The facts are that the present delays in the system mean that there is still a substantial number of suites waiting for orders on rents as far back as 1987. At O'Shanter, we do not know what our 1988 rents will be on over 95% of our apartments. We cancelled, as a result of NDP policy, over \$650,000 worth of work in 1990 affecting some 600 units.

Our plans for 1991 for a program of \$1.1 million worth of work in 900 of our units have also been cancelled. Mr Cooke's approach has been to don hobnail boots along with his ideological blinkers. Mr Cooke proposes to police the industry into doing the work we no longer can afford to

do. Bill 4 ends the industry's ability to finance the necessary refurbishment and upgrading of Ontario's rental housing stock. My willingness to do this sort of work has not changed; my banker's willingness to finance this work has.

Our 1991 program of capital work would have provided renewed common areas to the 900 apartments in question plus new refrigerators in each apartment.

The Chair: You have about 60 seconds.

Mr Krehm: That will be sufficient.

Additional increases in rent would have been around \$15 per month or under 3%. The prospect of the elimination of financial and economic loss provisions has devastated the value of all rental buildings in the province. Estimate of this reduction range between 20% and 30%. This translates to between \$10 billion and \$15 billion. The wiping out of this magnitude of equity in this province affects a wide net of people and businesses who work in and provide goods and services for Ontario's rental housing stock.

There is no justification for this measure. The flipping that Mr Cooke refers to has not happened. The only study on this issue that I know of was undertaken by the city of Toronto housing department. It concluded that there was no problem of any significance in this regard. The elimination of these provisions takes out the only partial recognition of the capital base of the rental housing industry.

I suggest that this committee recommend the scrapping of this bill. For a short-term measure, the government could keep the same system of rent review with a provision limiting rent increases to a maximum of 15% for first effective dates of increase of 1 March 1991 and later. For a long-term change, a consultative process involving government, tenants, landlords and other members of the community should be entered into. Thank you very much.

The Chair: Thank you very much. We will continue with our rotation. Ms Poole, Mr Tilson, and then Mr Mammoliti.

Ms Poole: Thank you, Mr Krehm, for your presentation. It was certainly thorough, and I think it has given our research staff a run for their money. They may want to hire you soon.

Mr Krehm: I may need a job.

Ms Poole: You have said that O'Shanter Development Co has ownership of 2,800 units?

Mr Krehm: Yes, along with partners.

Ms Poole: How long have you been in existence?

Mr Krehm: Originally, the company was founded by my father and an uncle, who is no longer in the business, in 1963, but my father's involvement in rental housing would date back to 1949 in this city.

Ms Poole: So you are what you would call long-term landlords?

Mr Krehm: Yes.

Ms Poole: You have mentioned that 95% of your units would be at rent review from 1988?

Mr Krehm: That is correct.

Ms Poole: What kind of percentage increases, generally speaking, are we talking about?

Mr Krehm: Between about 6% and 14% would be my estimate of rent increases with one exception on one unit where there would be a very large increase of probably 100%, but it is an apartment in a triplex in Rosedale where there was a \$135,000 addition done on the apartment and there will be a substantial thing, but we are talking about a 2,000-square-foot luxury apartment in Rosedale. Other than that, there is nothing over about 15%.

1530

Ms Poole: So you do not feel we should have much sympathy for that tenant looking in Rosedale?

Mr Krehm: I do not think they need protection, no.

Ms Poole: That was just a facetious comment. Has most of this work been for capital?

Mr Krehm: There would be some financial loss provisions involved in units that we bought in 1987 and 1988.

Ms Poole: Since you own 2,800 units, I would assume that a substantial amount was for capital?

Mr Krehm: There would be capital involved in all the units in question. There would be financial loss involved in a series of the applications, though. There would be operating cost increases also.

Ms Poole: You have talked and given us, I think, some quite valuable information about the rate of return on investments in the rental housing market. Certainly the figures you have quoted substantiate what I have heard from the various sources and from some of the documentation that you have provided.

Can you answer this question, which is somewhat beyond me: Why would people invest in the rental housing market when they can make more money in Treasury bills, Canada savings bonds, condominiums, office towers, whatever? What has been the historical motivation and how do you see this changing in the future?

Mr Krehm: It would be twofold. For myself, I would no longer invest in Ontario apartment buildings. I made that decision about 1989, obviously not because of this legislation. I have tried to diversify out of Ontario. I think Ontario has been an overgoverned jurisdiction and I think the present government will continue that trend. I would not invest in Ontario, period, right now.

In terms of the rental housing, I have an expertise in rental housing. A banker or a trust company will lend me money to invest in rental housing, but if I come to them wanting to invest in office buildings, what do I know about office buildings unless I have been in the business? The availability of capital to me either from partner investors or financial institutions is limited to what I know, to what I have proved expertise in and what our company does. We do some other things, but basically by far the majority of our investments and experience and expertise is in rental housing. That would be true of most people in that business, unless they are wider-ranging.

Ms Poole: Just one final question. You have mentioned the retroactive provisions and given us some indication of how it is going to affect you. You have mentioned

the contracts that you have cancelled to date. Would you like to elaborate on the retroactive nature of the—

Mr Krehm: I happen to be in the lucky position of not having one application that will fall under the umbrella or the shadow of the retroactivity here, but I am about the only landlord I know who happens to be lucky enough not to be affected. I would not proceed with work that I—if I went out and bought \$650,000 worth of appliances, which I was planning to do this year, I would probably be put into receivership by several financial institutions that would doubt my sanity.

I have written extensively to the ministers in this government and have received absolutely no answer to my question. Financial institutions in this province at this date will not lend to apartment buildings. The Minister of Housing, the Minister of Financial Institutions, the Premier and the Treasurer want to ignore this fact.

Ms Poole: Thank you for a very comprehensive presentation.

Mr Tilson: Just carrying on with that line, have you had any discussions of any sort with representatives from the banks or other financial institutions as to their theory on this legislation and whether they would be prepared to provide funding for capital expenditures?

Mr Krehm: No financial institution will come forward and oppose the government directly on this. I scurried off very quickly after 26 November; actually after 6 September. I started having conversations with my lenders to explain to them how the policy here affected me or how I thought it would affect me. I had given projections in the summer of work I was going to do. The first question I was asked was, "You are not proceeding with these things, are you?" I had to assure people right off that I was not going out and spending money that was available to me in lines of credit on the basis that revenue that was paying for it became an impossibility.

Mr Tilson: How many units does your firm manage?

Mr Krehm: We manage 2,800.

Mr Tilson: With that number of units, one of the questions that the government has dealt with is the fear, and I suggest it is just that, of luxury renovations. Can you tell me what percentage of work that has been done to your units in the past, if any, has been directed towards luxury renovations specifically in the line that the government has spoken of?

Mr Krehm: I have done luxury renovations to three apartments. Of those three apartments, two are found in a duplex in south Rosedale. The two apartments are about 3,200 square feet and I spent about \$75,000 or \$100,000 on renovations to them. These are not regular rental units. The third apartment, as I mentioned, was an apartment on which a \$135,000 addition was done. They are luxury renovations to luxury apartments.

Mr Tilson: Did you receive any opposition to that?

Mr Krehm: No. As a matter of fact, I renovated all three of those apartments at the end of long-term tenancies—in one case tenants had been there 20 years—and they were put back on the market and rented at the time.

Mr Tilson: Dealing specifically with other units and those units, did you undertake any renovations or repair work that would make your buildings more energy-efficient?

Mr Krehm: Yes. We have had an extensive energy management program for a long time. We put in fluorescent lighting, and this would extend beyond—it is not in the cancelled work, but in the last 10 years I have put in energy-efficient lighting, boiler equipment and de-aerating devices in heating systems in over 4,000 units in this city.

Mr Tilson: Obviously you have had some experience, and presumably talked to other landlords. One of their concerns that you emphasized was the retroactive aspect of the legislation, although you have indicated it does not really directly affect you. Can you tell us, as a result of conversations that you have had or debates that you have had, how that has built up the confidence of people within and without the province with respect to investing in this province?

Mr Krehm: I think people outside of this province who are aware of what is going on—I know that in Hong Kong there is a great deal of furore over this legislation basically because of what has happened to Hong Kong investors who have invested in this province. What people know, they do not believe. Their first reaction is: "No, that couldn't be so. They wouldn't really be doing that, would they?" It is such a travesty. Shock is the reaction.

Mr Tilson: You have indicated dollars and cents of items that you are simply not proceeding with. Have you been able to reduce that as far as the number of jobs it affects?

Mr Krehm: In our organization we have always done a lot of in-house maintenance and as a strategy to deal with the GST—one does not pay GST on wages—we hired extra people throughout the last year and were going to do as much capital in-house as we possibly could. We tried to limit the amount of work we gave to outside contractors to bare minimum. I am laying off people right now.

Mr Tilson: Have you any figures?

Mr Krehm: The worst thing in business is letting people go, and especially in a recession like this in construction trades where people will not have any other work. I am worried that I am going to have to lay off between 10% and 20% of my maintenance staff as a direct result of this proposed legislation.

Mr Tilson: Dealing specifically with contracts that you have been considering, how many contracts have been cancelled or simply will not be entered into as a result of this legislation?

Mr Krehm: When I divided up my figures between 1990 and 1991, the 1991 contracts have not been let; the 1990, there were three contracts that would have been cancelled as a result of that. As I outlined, it is \$650,000 worth of work. The bulk of that was appliance purchase, but there was a large painting contract and also I believe a carpeting contract had been entered into for one building for 1991 that was cancelled. I am not positive if it had actually been entered into or if it was just discussions.

Mr Tilson: I think this is just the start of many horror stories that we are going to be hearing throughout this province as a result of this legislation. I thank you for coming and addressing it.

1540

The Chair: We have Mr Mammoliti, Ms Ward and Mr Duignan.

Mr Mammoliti: Mr Krehm, you mentioned that you have spent hundreds of thousands of dollars in renovations. Did you consult at all with the tenants prior to spending the hundreds of thousands of dollars in those renovations, and were those renovations necessary in your opinion?

Mr Krehm: Absolutely necessary. There was no direct consultation, although we have tenants' associations in the buildings in question. In all the buildings where the work was done I have an open door to any of my tenants' associations at any time and an open, outstanding invitation to meet with them to address any of their concerns at any time.

Mr Mammoliti: But you did not let them know that you were going to be spending hundreds of thousands of dollars on renovations and perhaps for their input on—

Mr Krehm: Well, since we do meet with them, we do—

Mr Mammoliti: —the best way of spending those hundreds of thousands of dollars for their units. You did not talk to them.

Mr Krehm: Well, to begin with, it is my money that I am spending—

Mr Mammoliti: Yes, I realize it is your money.

Mr Krehm: —and undertake an obligation with and I do consult with my tenants' associations. Was there a special meeting about it? Was there a signed document about work done? No. But am I aware of my tenants' associations' concerns? Yes.

Mr Mammoliti: You talked about suspending the fact that you were going to buy hundreds of new refrigerators. In your opinion, do you need new refrigerators? Have you talked to the tenants to ask them whether they need a refrigerator?

Mr Krehm: In my opinion, since I am the one who has to keep the refrigerators—I own the refrigerators; I upkeep them. I know a lot more about the needs for refrigerators as a global thing. For instance, each tenant may know the experience of his or her own refrigerator, but we are talking of 600 refrigerators and I assure you that the tenants overall do not know about each other's refrigerators, but I may have some idea.

Mr Mammoliti: But you would reflect that through rent increases, would you not? They would have to pay eventually for those refrigerators.

Mr Krehm: As I pointed out to you, all this work amounted to about an additional 3% rent increase that we are talking about.

The Chair: Thank you. Ms Ward. We have three others on the list.

Mr Mammoliti: One more question. You own 2,800 units—

Mr Krehm: I said we manage. We have ownership in 2,800 units.

Mr Mammoliti: How many tenants in those units have literally been forced out because of rent increases, say, in the past five years because of affordability? Would you know that?

Mr Krehm: No, I would not know that. But again affordability is not being addressed by this bill, nor has affordability ever been addressed by rent controls. I refer you to the 1982 study I left with you with a chapter on affordability, Mr Laverty's study, that points out that the top richest 20% of tenants gets seven times the benefits of lowered rents by rent controls than the—

Mr Mammoliti: I will be reading it.

Mr Krehm: Could I finish please—than the 20% poorest tenants.

Mr Mammoliti: If you were the government at this point—

The Chair: Order. As Chairman, I have to divide up the seven minutes. I have three other people left on the list that we have not heard from and unless we move along, Mr Mammoliti, your colleagues will not get a chance. I can give all the time to you if—

Mr Mammoliti: Understandable, Mr Chairman.

The Chair: Okay. Ms Ward, Mr Duignan and Ms Harrington.

Ms M. Ward: I would like to ask our guest what percentage he would consider a large increase—15%, 150%?—if he can give me an indication.

Mr Krehm: I think it is the wrong question to ask. I think 100% of \$40 rent is not a large increase. I think a 15% increase on a \$3,000 rent may be a very large rent increase. What is more relevant is the actual dollar amount of the rent and the rent increase proposed.

Ms M. Ward: I think you can consider it relevant when you consider that the dollar amount of rent a person is paying is generally tied, not always, but it is an indication of the dollar amount of salary they are making.

Mr Krehm: No, that is not true.

Ms M. Ward: If they were to have an increase of—

Mr Krehm: If that were true—tenants now pay 17% of their incomes on rent when I believe 10 years ago they paid closer to 25% of their incomes on rent. In that case, overall, tenants have less affordability problems than they did in the past, and that is not to minimize the real affordability problems of the poor, which are not being addressed by this or any other rent control legislation.

Ms M. Ward: So you cannot give me a percentage amount that you would consider a large increase. Can you give me a dollar amount then of what you would consider a large increase?

Mr Krehm: A large increase, as I pointed out to you in my recommendations—I understand putting a cap on any reasons for increases and I think that this would address the problems and I suggested 15%; no increase, a cap, that

every landlord in this province understood that he could not get anything over 15% for whatever reason, would allow the economic functioning of the industry without vandalizing it, as the present legislation does.

Ms M. Ward: My last question is a quick one. I was just trying to clarify for myself your relationship to the issue and it is not clear to me from your presentation here whether you are the owner or the manager or both of the apartment buildings.

Mr Krehm: I am both. I will clarify it. We manage 2,800 units. We own part of or all of each of those buildings. We have partners; we have a financial institution in one case as a participant. So there are various forms of ownership, but we have an interest in every building we manage. We do not do third-party management.

Ms M. Ward: Thank you, that clarifies it for me.

Mr Duignan: You talk about natural justice and fair play for landlords in relation to the backdating of this particular bill. I was wondering, could you comment on natural justice and fair play for tenants when you talk about an increase of capping at 15%? How do you expect someone on a fixed income to be paying 15% or 20%?

Mr Krehm: Again, this is an affordability problem and most tenants in the province do not have fixed incomes. Landlords since 1975 have not been allowed any real increase. Whatever your return was in nominal dollars in 1975 is what rent review allows you, if you kept the building since then, to increase. Do you not believe in COLA and cost of living adjustments for workers or for people? Would not landlords' natural justice allow for the same?

Mr Duignan: That may be the case, but it is not 15%, I guarantee you that. You talk about natural justice and fair play. It is time the tenants of this province had natural justice and fair play. They have been denied it too long.

Mr Krehm: If you would like me to answer about natural justice and fair play, I am an amateur student of history. I have read in my reading of history of only one more retroactive gesture than this and that is when Ivan the Terrible in the 35th year of his reign annulled all property transactions that happened during the beginning of his reign and seized all property. I am not joking; I do not know of anything more retroactive than this.

Ms Harrington: I want to thank you for coming today and for your paper on behalf of the ministry. It certainly has a very good history of what the investment scenario has been with housing over the last 20 years and I think we will certainly make use of that. I will bring it to their attention if they do not already know about this.

It is a long-term problem, as you have illustrated, going back 20 years or more, that people have not been, as you are saying here, in the overall spectrum making a fair amount on their investment. I just wanted to say to you that you will be happy to know that what we want to do as a government is to allow landlords to make a fair return on their investment. We are going to work with you in the long term to try and get legislation which allows that.

Mr Krehm: I certainly hope so. I will be here.

Ms Harrington: I did want to point out that this legislation, which has, as you say, caused this harm to this investment community, was done by the previous two, three or four governments.

Mr Krehm: Rent controls did not initiate with an NDP government. They did initiate with NDP pressure, though.

The Chair: Thank you very much for coming.

JOSEPH TENENBAUM

The Chair: We are going to be moving right along. Sir, you have been allotted 20 minutes. I would like you, for the record, please, and for our viewers, to state your name, the name of the organization, if in fact you are representing an organization, and the position that you may hold in that organization. You will be allowed 10 minutes to make your presentation to the committee and the committee will then have 10 minutes to have discussions with you.

Mr Tenenbaum: Just a point of order. I thought I am given 20 minutes. That is what I understood.

The Chair: Twenty minutes and that includes questions.

Mr Tenenbaum: I did not know that. What do you want, Mr Chairman or members of the committee, quality or quantity? Then give me please the 20 minutes I need.

1550

The Chair: Sir, we have had a rough day today. Why do we not just stick to the 20 minutes, sir. Do the best you can with your 10-minute presentation. It is very important for the committee members to have some personal dialogue with you. I would ask you to try to keep to the 20 minutes.

Mr Tenenbaum: Mr Chairman, I will stay here to midnight or more, as long as you want.

The Chair: Sir, let us proceed. You have your 10 minutes to make your presentation to the committee and the committee members have 10 minutes to have dialogue with you.

Ms Poole: Under the circumstances, since he has prepared a 20-minute presentation, I have no objection to our party waiving our questioning time.

The Chair: Do you want to give up your questioning time? Does anyone else want to give up their questioning time? We have consensus.

Sir, the committee will give you 20 minutes to make your presentation. Unfortunately, there will not be any time left over for dialogue.

Mr Tenenbaum: I regret that, but thank you very much.

Mr Chairman, members of the committee, good afternoon. My name is Joseph Tenenbaum. I am a private citizen and I represent myself. I am not connected with any organization and I would like to inform you that I have been active for over 50 years in construction, development, management, investments and many facets connected with the building industry, including residential housing.

When I was called by Ms Debbie Deller and asked to appear before you, Ms Deller told me that I would have 2 minutes to make a presentation: 20 minutes, 20 hours, 2 days will not suffice to explore this vital subject which involves everybody.

At this moment, before I begin, I would like to apologize if I unintentionally hurt the feelings of anyone present or not present here today. Please forgive me.

I am sure you all read about housing, rent controls, different commissions, committee reports, newspaper articles and books written on this subject. I do not need to overload you with additional and repetitious information.

I want to thank you for giving me the opportunity to appear before you today and, because of that, I am obliged and would like to share with you my practical experience and knowhow of over 50 years active involvement in all branches of this industry. You might initially think that I am here to criticize everybody and everything. This is not the case. I am genuinely and sincerely interested in assisting to create affordable and available housing for all people and for future generations.

We are fully aware that the government of Ontario was democratically elected by the people of Ontario. I fully believe in the insightful quotation of Cicero, "Salus populi suprema est lex," which translates, "The welfare of the people is the ultimate law." This has been demonstrated by the people of Ontario, who chose to elect the present government. Yet, the fact remains that the combination of affordable housing and politics, like oil and water, does not mix. It just does not work. It is strongly advisable to separate and completely divorce the issue of housing from politics if we are serious in our efforts to succeed and achieve a workable solution.

This is an issue that has to be addressed by the government and private industry, joining forces together to achieve the best workable results. Since rent control was implemented, there has never been a more opportune time than the present to start proceeding to do away with it. It can only bring benefits to everyone if we do it now.

Now, as you know, there are already many display signs advertising vacant apartments. The economy is at its lowest and the number of unemployed is growing with each passing day. It is important to reactivate the construction industry, and in order to activate the industry, we have to find a way to make it attractive to builders and investors. This calls for drastic measures and we have to ask ourselves, what are they to be? The same way as a doctor faced with a patient with gangrene does not ask the patient how to treat him in order to save his life, but goes ahead and amputates, the radical measure has to be applied here if we want to save the housing industry for the long-term benefit of all concerned.

Now is the time to come forward with a genuine program to make housing available and affordable for all the people of Ontario. An unpopular policy must not deter implementation of new ideas that will create invaluable benefits and opportunities for the people of this province.

Some people and politicians were distressed when Menachem Begin became prime minister in 1977, basing their opinions on his early statements and speeches as

Israel's leader. However, it was his willingness to negotiate with President Sadat that made the Israeli-Egyptian peace treaty possible. The same thing can happen here in Ontario. Because the New Democratic Party government was chosen by a majority, it has the power to do what is right for the people of Ontario. This is the time to do away with rent control completely. This is the time to show leadership, because a Band-Aid solution will not solve the problem. We have had Band-Aid solutions for many years and look where we are today. The Band-Aid solutions, the delays, the constant debates, arguments, commissions, investigations, committees like this, all remind me of the sailors rearranging the chairs on the deck of the Titanic. This is just another waste of time. This is not the way to create housing for the people of Ontario.

Right now, with increasing unemployment in the building industry, with all the vacancy, "for rent" signs growing like mushrooms in front of apartment buildings and with landlords who are desperate to rent and willing to take cuts in rent, this is the time to show leadership. This is the time for the government to step in and to do away with rent control completely. We who are gathered here today, all of us, have to start acting. The following are a few suggestions.

The best approach that should be used to make shelter and housing available to the people of Ontario is, first, to phase out rent control, to decontrol rents within a period of 5 to 10 years, beginning with decontrolling any apartment that is rented for an amount, let's say, over \$1,000. Every year thereafter, there should be an adjustment. Where an occupant or occupants of an apartment earn, separately or jointly, more than \$80,000 per year, this apartment should be decontrolled.

Let me stop here for a moment and explain why, under the present system, there will never be vacant apartments for the people who are truly in need. For instance, if a landlord gets an application from a couple and each member of the couple earns \$40,000 per year and, at the same time, he gets an application from a single mother with a child and the single mother earns \$20,000 to \$24,000 a year, who do you think the landlord will rent the apartment to? Who do you think has a better chance of getting the apartment, the single mother with a child about whom the landlord is worried that the cheque might come back NSF every month and from whom he will have problems collecting the rent? Or is he going to rent to the tenants who are earning \$80,000 per year, who hold secure jobs with banks or prestigious institutions and where the rent for their apartment is secure? Of course he will rent to the couple.

There are many high-income earners who rent because of the combination of low rent and lack of affordability in the housing market. So what does this do to the availability of apartments? The apartments are again not available for those who really need them. To solve this problem, the government of Ontario, with private industry, will have to build a vast supply of all kinds of housing. The problem is, private industry cannot afford to build with rent control in place.

My suggestion is, if you give enough confidence to the institutions, to the banks and to the builders, that rent is being completely decontrolled, that control is being done away with within a period of 5, 7 or 10 years, there will be an abundance of apartments on the market. Lower-income people will then find plenty of low-rent vacancies. Yes, builders will build apartments once they know they can make some money on them, because money is a commodity that goes where it is safe, where it is secure, where it is bringing a return on its investment. It is like water that goes where the flow is easier. You cannot push the water up the hill. You cannot force investors to invest in apartment buildings in Ontario, where there is no return on their investment or when there is no security for their capital.

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The present system will eventually lead us to no supply at all. Not only will we have no supply, but the nature of the building industry and the nature of what makes it concrete will deteriorate, financially and socially, and it will lead to a complete disaster to this industry, to the social fabric and the total environment in Ontario.

In my view, it will be a complete disaster with terrible social consequences. The problem of New York and other areas will be multiplied manifold in Ontario. The present proposed new regulations are even more stringent than those of other areas where rent control is still in existence. I would like to refer you to the testimony before the Thom commission of Roger Starr, former head of New York's rent control program. He states: "Rent controls are a terrible mistake." On the other hand, if we take the other approach and we do away with rent controls, we can only win. Yes, I realize that we might alienate a few of the organized tenants' votes, but you will bring prosperity to the province. You will bring private investments. People will build. People will invest in construction. Builders will compete on the free market and give one or more months' free rent in order to compete with each other and attract potential renters. We can easily regulate the decontrolling of rents by a few laws which can be introduced.

While we bring in the rules of decontrol, we can also implement a law where overcharging is punished, so there will be no unreasonable overcharging of rents. The people who overcharge are few. We cannot punish the whole of society just because of the actions of a few. By bringing in many apartments on the market, landlords and owners of apartments will realize that in order to have the apartments fully occupied and to avoid foreclosures, they will have to lower the rents. People will have a choice of apartments.

For those people with low incomes or people who are disabled, a new rule should be introduced, that no more than 30% of their income should go for shelter. I firmly believe that those people who are in real need, the disabled and the elderly with low incomes, should be subsidized by the government and the whole community. Taxes should be paid by everyone in order to support these people. The disabled and the elderly must be taken care of. The way our housing laws are structured now, the disabled and the elderly cannot find apartments anyway, and they deserve and need to be supported.

Some of you might feel that I am overdramatizing the seriousness of this situation, but I assure you, I am not. I have the experience of seeing complete decay, of seeing buildings being abandoned by their owners. I remember distinctly that I was once offered a building in New York by a vendor in 1963. The building was at 163rd Street and Broadway. The area is called lower Washington Heights. The vendor offered to sell the entire building to me for \$5,000 down and take over the mortgages. I thought, what could be safer than an apartment building at 163rd Street and Broadway? I made an offer subject to my checking out the income, the premises and a few other customary items when this kind of transaction is made. When I entered the lobby in order to inspect the building and came up to the second floor and I saw the people burning the wooden doors on their own apartments in order to heat them, I walked out. When I asked the vendor who was collecting the rent, he said: "What collecting? You must be kidding. I would not dare to go in there. The tenants would kill me."

You might think, as I said before, that I am overdramatizing, but I experienced those things before. They have happened. Therefore I say, because of consequences like those, I suggest we must take the proper, effective, just and beneficial approach that is good for everybody, not just one segment of the society.

If you think for a moment that I am that foolish by making this following statement, again you might be mistaken. I am telling you as truly as I am sitting here, in the long run rent control is bad for tenants. Perhaps it is good for a few tenants who are resting easy, earning good money, whose rents do not go up as per market, but this does not make housing available for the thousands and thousands of people who are looking for apartments. I have applications for apartments submitted in 1979 from people who are still waiting to come into my buildings.

I can also tell you that I remember the time before rent control came into being, particularly in 1964-65 when I had to give away three and a half months' free rent in order to rent an apartment for \$180 or \$200. It took me three years to break even on the building, and when I broke even I could not raise the rent because there were so many apartments available on the market and I had to be in line with the rent, despite that there was no rent control. Why can that not be again? The point is that we need competition in the apartment marketplace.

Recently, as reported in the *Globe and Mail* and the *Toronto Star*, 12 January, Premier Rae, in addressing the Financial Services Institute, stated, "If we have several huge conglomerates which are operating across all the sectors, in my view the long-term effect of that may be to reduce competition." In the *Toronto Star* on the same day, I quote a passage, an article by Jade Hemeon dealing with the same issue, "Rae said he will insist that whatever reforms take place will also ensure fair competition, access to capital and a degree of choice for the consumer, whether that consumer is an individual or a small- or medium-sized business."

Premier Rae was speaking of the financial industry. He was speaking of the need for competition in order to have a fair marketplace within the financial services industry.

This is precisely my point. Competition is necessary and vital. Why are Premier Rae and the Minister of Housing Mr Cooke, not applying this point to the apartment industry? The exact same principle applies.

With increased competition among landlords, rents will be reduced, supply will increase and tenants will be secure. I may sound paradoxical and landlords may hate me for this, but I can tell you that rent control is good for owners who own apartments now and are not interested in construction, who are not interested in building, because not having a new supply of apartments they are secure with their rents on the old apartments.

But eventually, they too will abandon their buildings because of the proposed legislation; yes, this proposed legislation. This systematically intended tightening of rent control is tantamount to confiscation of private properties and if this is the intention of the present government, why not come out in the open and proclaim confiscation with little or no compensation? This too I experienced before. In other words, you are stagnating the supply. You are choking the market. The few landlords who still own buildings, because of deterioration of the buildings caused by the proposed stringent laws, will walk away from them. In any event, there will be no real supply of new investment, new blood into the industry.

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If you think for a moment that the tenants are usually the winners, and our politicians will do everything possible to accommodate tenants' demands no matter how unreasonable or self-serving, in the long run it will not work. It is counterproductive.

How can you expect investors to invest in apartments or have builders build any new apartments if the government, regardless if it was Conservative, Liberal or Liberal with the assistance of the NDP, broke its past promises. First, they came in with a temporary measure of rent control which was supposed to be only for a short while. Then they broke their promise that post-1975 construction would not be under rent control. These buildings also came under rent control. The promise that buildings under six units would not be under rent control was also broken. Promise after promise was broken.

Unless we approach this problem with a proper solution and gain the confidence of the people, gain the confidence of the investors, gain the confidence of the builders, what we have here today will be just another game in town.

In conclusion, rent controls can only produce housing shortages and dangerous deterioration in the quality of rental housing. If anyone thinks rent control is a substitute for government intervention to provide decent housing, they are making a tragic mistake. Rent controls destroy the supply of good housing. If the government is really interested in meeting Ontario's future housing needs, it should abandon its ill-conceived proposals, committees, commissions, regulations and other unproductive methods and move instead to phase out all existing schemes of rent control.

If you, Mr Chairman, and members of the committee ask me to tell you in more detail how to solve this vital

problem, my answer to you is, "I need another 20 minutes and another 20 minutes and another 20 minutes." Until then, remember Louis St Laurent's words, "Government action, and I believe government should pursue fiscal and commercial policies which will encourage and stimulate enterprise, and wise government policies can do a lot to maintain the right kind of economic climate."

The Chair: Thank you very much for your presentation. We are going to be moving right along. I believe the basic Poverty—I am sorry?

Clerk of the Committee: Emil Tancredi.

The Chair: We are farther behind schedule than I thought.

Mr Tenenbaum: Do you have any questions?

The Chair: No. We gave you all the time. Do you remember we made a deal at the beginning?

EMIL TANCREDI
MARIO TRELLE

The Chair: Emil Tancredi, the committee has allocated you 20 minutes. We would like you to make a 10-minute presentation if it is possible and then you and the committee can dialogue for a further 10 minutes.

Mr Tancredi: I am with my partner, Mr Trelle.

As it states on page 1, which I am following—I know this by heart, but we are just normal workers and we do not know much about all this.

The Chair: Just take your time. Your presentation before the committee can be done at leisure. Present the facts in the best way you know how. I am sure you will have the full co-operation of the committee and we will try to handle your presentation as informally and as amicably as we possibly can. So please feel free and please feel at ease, because we are here to listen to what you have to say.

Mr Tancredi: Thanks.

I want to say that we are sure that all governments' intentions are good, and sometimes they just probably aim at one thing and shoot the other. We are Europeans. We have seen this. We have been in the past in post-war Italy and we know what things are like when these things happen. This is the reason why we came to Canada. Here we found something different. All of us are normal workers. We have been in driver training, dry cleaning. One partner is not here today. My friend Trelle has been in the machine shop business. He just works there.

In 1989, we had some money set aside. Unfortunately, one of our friends told us to maybe invest in a building, as we had one. Things seemed to go good for him so we thought we would do the same thing. Of course, before we purchased, we checked with some friends of ours who are in the real estate business and they checked everything. I personally phoned a few rent review services—I think it was North York, Mississauga, even Hamilton—about the possibility of a return one day because we were going to have this money somewhere else. They assured us that for financial loss there was 5% a year and we figured about three or four years, like it is shown on page 2, and this is basically the projection that we were given by the agent we were dealing with.

I am sorry if I omitted something here, but I tried to make this as clear as possible, with the gross rent per month and yearly in 1989 to 1993, the mortgage payments. I gave 6% a year increase, an expense which I think is more or less what it really is. By 1993, we would have been breaking even, even though there are always unexpected expenses, of course.

We went ahead with it and we got a phase-in dated 30 October 1990. I think it was 5% plus the guideline, but now it seems like it is all gone. At this point my partner Mr Trelle would like to say something also about what kind of care we take of the building that we were trying to retire on.

Mr Trelle: My name is Mario Trelle. I am a co-owner.

We try the best we can to maintain the building in proper or top shape the best way we can. To do the renovation or the maintenance required and in order to save or reduce the cost for this expense, we do most of the work ourselves to minimize the expense. Therefore, this will not reflect a larger increase on the rent as well.

We put a lot of time on weekends. We break away from our family and kids to maintain this building. We accomplished a good relationship with the tenants, which was not previously that good. This seemed to be working fine, the way we maintain it and the way our relationships are.

Of course we put all our life savings into this and now with the proposed legislation it seems this is going to hurt us very much, because the loss will be continued until the year 2000 or even more.

Mr Tancredi: Yes, we will have to keep the building, but according to new legislation we ask you, how can we keep it? We are losing about \$33,000 this year. It would have been \$21,000 if it was the way we were told and the law under which we bought the building. We do not think it is fair to have a soccer game and after the scores are done at the end, they tell the players: "We're sorry but the rules have been changed. They're not the same as they were at the beginning." That is exactly how we feel.

We do not abuse the tenants. With these increases, we are just trying to keep this building. As you can see by the age and the way it is, it is a nice building and we have put it in good shape since we bought it.

I read in the paper about flipping. I wish I even knew what flipping means, to tell you the truth. I do not even know what it means.

Why are we being punished for this?

If we give it up, if we try to sell it, the same people we bought it with, we checked real estate companies all over because we cannot absorb this loss. It is impossible. We had some money aside to cover the loss. It is finished.

They told us that the interest there is now in the buildings would not even pay our mortgages. It means we would lose our down payment, our life savings and they told us we will be sued by the mortgagees.

Ms Poole: Mr Chairman, I might suggest a very short recess for a moment.

The Chair: We are going to give the gentleman a drink. We are in no hurry. We will take our time. We are

right within schedule. Mr Trelle, if you want to add a few comments while your friend has a drink of water, it is more than appropriate.

Mr Trelle: I suppose it is pretty well the same picture that he gave. I am in the same shoes, so to speak. It is a financial problem because of the way we expected it two years ago when we made the purchase. It was laid out in a certain way and now everything has changed.

Mr Tancredi: We are not 20 years old any more to start over again and put \$70,000 aside. What am I going to tell my kids?

The Chair: The Chair will ask for a five-minute recess. We will reconvene at 4:30.

The committee recessed at 1623.

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The Chair: I informed the committee we would commence again at 4:30. It is just a little past 4:30. In keeping track of the time, Mr Tancredi and Mr Trelle, you have two minutes left to continue to present your case to the committee. When your two minutes have expired, if you wish to use your two minutes, then the committee has 10 minutes to share among itself to ask questions and to have a dialogue with you. Please commence at your convenience. As I said, these hearings are as informal as we can possibly make them and we are here to listen to what you have to tell us.

Mr Tancredi: I am sorry I lost my emotions there, but I am sure you understand.

The Chair: Yes.

Mr Tancredi: It probably has been the most emotional case, but we would like if it was not picked up just because of this, because we are embarrassing ourselves in front of our friends if they find out about our financial situation. I would appreciate that very much. Just tell us what to do.

The Chair: That is very good then. We are pleased that you took the time to come here today to present your profound views to the committee. The committee deals in rotation. We will start with the PC members first, then we will go to the government members and then we will go to the Liberal members. We will have a dialogue which will take about 10 minutes.

Mr Tilson: Mr Tancredi and Mr Trelle, I have no questions. You have said it all. The Minister of Housing will be viewing the tape of these proceedings later this evening. You are the typical example who hopefully the minister will listen to. I thank you for coming and telling us your story. I am sure he will take your remarks into consideration.

Ms Harrington: I want to thank both of you for coming. I did receive a phone call from Mr Tancredi, I believe it was the first week in December or so, about the situation. I am glad to have it on paper so that I know exactly what the situation is. This is, as we all would agree, very unfortunate, and it is something that our government has to deal with, to look at the whole picture, and this is part of the picture.

Ms Poole: I would also like to echo my colleagues' comments about your presentation and thank you for coming. I know it has been very difficult for you particularly to air this very serious problem that you have before strangers. To be perfectly frank, we need input from real people like yourselves who can tell us what the impact of the legislation is going to be. You have provided a very valuable service and we thank you for it.

You said that before you purchased the building you had phoned rent review to make sure that you would be able to afford it, that you would get a return on the investment so that after a period of time your financial loss would be reduced.

Mr Tancredi: Yes, I did.

Ms Poole: I gather that was a big influence in your decision to buy the property, the fact that they said you could break even at some stage.

Mr Tancredi: Yes, because we had no idea what buildings were like. Mr Trelle works with a co-worker who owns two small buildings. He was talking to him all the time. Then he talked to me and we decided to go ahead with it. Again, we checked all over. I believe we even paid \$200 to someone to check the building. I do not know what he checked, I am not sure, but everything was okay. He checked some orders from the previous owner. I do not know why he had to check, but he checked it. Maybe you know it, I do not know it.

We did all the preliminary work we possibly could but, I mean, how in the world were we supposed to know that this was going to happen two years later? I made some projections here. How can we lose money until 2001? The other owner is about 60 years old. That means he is going to get some return from this when he is 71.

I do not know what we have not done that we were supposed to do, to tell you the truth. As I said, there are some of you that probably are from Italian origins and one favour I want, besides your help, is also not to let this go to anyone of our friends. Even my son, who is 15, cannot face his friends, knowing that his father is a failure.

Ms Poole: I believe, Mr Chair, that Mrs O'Neill had one other question.

Mrs Y. O'Neill: It is not a question. I do feel that there has been certainly a great deal of personal involvement in this presentation. I feel that the presentation is from the heart, as I mentioned this morning, and that is the way public housing is. This cannot be considered as a presentation by a large property owner. It is a presentation that is made by a person in what we call a low-rise building. It fits that definition.

I am very happy that the accompanying documentation is as complete as it is and I think that it is most unfortunate. It shows the very grave effect that the date of 1 October has in this legislation. We are meeting the first person today who has been affected by that phase-in dated 30 October, a date that was previous to even the presentation of Bill 4 in the House.

It is very difficult for people in Ontario, and these presenters in particular at this moment, to understand government, and it must be extraordinarily difficult for a

retroactive piece of legislation of this magnitude to be understood. I want to congratulate you for bringing to our attention your very personal experience and doing it in such a complete and sincere manner.

Ms Poole: Thank you for coming.

Mr Tancredi: Can I say one more thing? I do not know if you will grant me this favour I told you about, being as confidential as possible, but I think I have been assured by Ms Harrington that we will be looked after, and we appreciate it very much that you have listened to us. All we are saying is the truth. Every month we are minus here and minus there and I have been holding bills until the end of the month before paying them. Of course, it is much more work, but emotionally it is really—I do not know when was the last night I slept eight hours or seven hours. Maybe for someone \$75,000 is not much, but for me—I came here when I was 20—it is everything. Thank you.

The Chair: Thank you. I want to thank both you, Mr Tancredi, and Mr Trelle for appearing before the committee. As you could tell, the committee was paying close attention to each and every word that you had to tell us and we are happy that you decided to take part in the process that we are involved in. I am sure that the committee will give further and more serious consideration to the comments that you left with us today. Thank you very much.

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BASIC POVERTY ACTION GROUP

The Chair: The next organization on our agenda this afternoon is the Basic Poverty Action Group. Marnie Hayes is spokesperson for the group. Please have a seat and relax. Could you just introduce yourself formally for the record, and the people who will be appearing with you and the positions that they hold in the organization?

Ms Hayes: Thank you very much, Mr Chair. We would like to thank very much the members of the committee for giving us the opportunity to speak here this afternoon and to make our submissions on this very important bill, Bill 4.

As mentioned, my name is Marnie Hayes. I am a community legal worker with Metro Tenants Legal Services and a member of the Metropolitan Toronto Ontario Coalition Against Poverty, and, as such, will be speaking and making submissions this afternoon.

To my right is Tex Cassidy, who is the president of the Roomers' Association in Toronto and a member of Basic Poverty Action Group. To my far left is Bob Olsen, who is a member of Basic Poverty Action Group also. Behind me is John Clarke, who is the provincial organizer of the Ontario Coalition Against Poverty. Michael Shapcott, who is with Basic Poverty Action Group, will be making a presentation as well as myself.

The Chair: Jointly you have 20 minutes to make your presentation and then the committee will divide up 20 minutes to dialogue with yourself and with your colleagues.

Ms Hayes: The message that we would like to send to you this afternoon is that we very much applaud the government introduction of Bill 4 as an emergency measure to the housing crisis and the growing crisis of

poverty in this province. Looking at statistics from a recent study of the Daily Bread Food Bank, in the greater Metro Toronto area alone there are currently 108,000 people per month who must visit food banks in order to survive.

That is in the greater Metropolitan Toronto area. I understand that this committee will be going to Thunder Bay, Sudbury, Ottawa and Windsor, where you will also hear submissions, I am sure, from different people who have to use food banks in order to survive, so it is a growing number and it is not just in the Toronto area.

The Daily Bread Food Bank in its studies has also come to the conclusion that those people who use food banks on average spend 69% of their incomes on rent, which is an exorbitant figure to spend on rent. The point that I want to make is that the more you have to spend on your rent, the closer you are to becoming homeless. As the report by the Minister's Advisory Committee on the International Year of Shelter for the Homeless pointed out, people who spend more than 50% of their income on rent are at very close risk of becoming homeless.

What is the link between spending 70% of your income on rent and the rent review law? I think that the current law that tenants are subjected to, if I may say, is contributing to the problem of homelessness in this province and to the problem of people doubling up in apartments because they cannot find anywhere else to live.

This government and this committee have a chance to address the problem of homelessness in this province, I submit, by amending the existing rent review law and by taking away the financial loss provisions in the existing law that allow landlords to flip buildings and pass the costs on to tenants.

I understand that the rent review services made submissions this morning that pointed out that 96% of all those landlords who receive rent increases—no, 96% are 14% and below. That figure I believe does not point out the 5% phase-in provision that is allowed under this law. The 5% phase-in provision, for those of you who do not know, is a provision that is allowed each year on top of the guideline increase until the landlord's financial loss is eliminated.

If you are a person on a low income or on a fixed income and you get a rent increase, which is happening daily, a rent increase for the guideline plus 5% for an unspecified limited number of years, your chances of becoming homeless are pretty high.

I work with low-income tenants, as I mentioned, and a few days ago I got a call from a tenant—and I get many calls from tenants, but this specific case was a tenant whose landlord got a 10% rent increase. She had to pay a 10% rent increase, as well as the financial loss phase-in for an unspecified number of years until the landlord's financial loss was eliminated. Her husband just lost his job. Where is she going to get the money to pay the back rent and how is she going to pay the 5% plus the guideline per year?

Those are the questions that we grapple with working with low-income tenants and what low-income tenants grapple with every day when they get that order that is retroactive saying, "You must pay this amount of rent."

Even a 14% increase is high when you do not have a lot of money.

I just want to say also that this provision in the law of the financial loss pass-through, which Bill 4 eliminates in the interim until a new law is passed, is a very positive thing for tenants.

With respect to capital expenditures, I had invited a tenant to come because I understand that the time is limited and there are not a lot of slots for tenants to speak. There was going to be a tenant, a former client of mine, who just received a 43.05% rent increase retroactive to 1989. I know you hear these cases of very high rent increases and you think that they may be isolated cases, but they are not. They are occurring more and more. This tenants' association, on top of 14.71% in 1988 got 43.05% in 1989. The tenants cannot afford to pay and they have to move out.

I could go on speaking about cases that I have worked on or in which I know tenants have received rent increases, but I am going to pass the floor over to Michael Shapcott.

Mr Shapcott: My name is Michael Shapcott. I am speaking today on behalf of Basic Poverty Action Group, which is an anti-poverty organization in Toronto. My paid work over the last four and a half years has been with low-income tenants, primarily in south Parkdale, in Toronto and in the east end of downtown Toronto.

About two years ago when John Sweeney became the Housing minister, I made an invitation to Mr Sweeney on behalf of our organization to come to our part of town and see the actual conditions of real people in our part of town, and Mr Sweeney did in fact come. We took him into a privately owned rooming house in the east end of downtown Toronto and took him down in the basement to show him a room where a person lives, in what might be a typical privately owned rooming house in Toronto or, indeed, typical of many similar kinds of accommodation across Ontario.

That rooming house is still there today, it is still privately owned and the same tenant is still living in this room in the basement. This room is about 6 feet by 8 feet and has no fire separation between it and the furnace, which is right next door. Despite the fact that the furnace is right next door to it, there is almost never any heat. The cockroaches swarm so badly in this particular unit that sometimes you can hear the clacking and it is frightening almost. They have referred to it as "swarming" when the cockroaches come.

The landlord has never supplied any paint. In fact, the tenants have painted some of their rooms but they supply the paint from their own funds, from their own limited funds, because the landlord refuses to. There are cracks in the wall, there are cracks in the ceiling. At one point the landlord even—now, believe this—when a tenant complained that there was no heat in one of the rooms, the landlord came in with a saw and cut a hole in the roof to connect with the room up above, which did have heat, so that the person could have heat.

The plumbing is inadequate. The toilet frequently does not work. There is no lock on the door, so the women who live in the house feel unsafe in using the bathroom

facilities. There about 12 people who normally live in this house and they each pay an average rent of close to \$350 including the person living in the basement. That is \$350 a month rent. That is about \$50,000 a year for what is a firetrap. I should say that there are no safety systems in the house, no smoke detectors, no fire detectors, no fire extinguishers. There is not even a telephone in the house for them to phone if something did happen.

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You have already heard today from at least one landlord. No doubt you will hear tomorrow from the Fair Rental Policy Organization of Ontario saying this is not a rent problem, this is an affordability problem. The problem is that these people do not have enough money to pay rent to the landlord for the landlord to fix the place up. This particular landlord and this particular house, like a lot of rooming houses, every year religiously and routinely increases the rent to the maximum allowed under the guideline and every year religiously and routinely refuses to do any work; not a stitch of work. Not necessary maintenance, not fixing up any of the basic fire safety issues.

The tenant living in the basement is afraid to complain to the city building inspector and has directed me on many occasions not to complain on his behalf to the city building inspector even though I would love to get them in there, because this place is a fire trap. They are quite concerned and their fear is, of course, very real, that the minute the landlord gets an order the landlord will either do the work and then raise the rents even higher than they already are—they are already unaffordable—and economically evict everyone in the units.

The landlords' response, as I say, is to say, "This is not a rent protection problem, this is an affordability problem." Their solution to the affordability problem is to say: "Let's get rid of rent controls altogether. Let's let this landlord and many other landlords like him who are renting to poor people in this province charge any old rent they want, as high as they want. Let them charge whatever they want. Let the market establish the rent." What they are saying, in effect, is that the only fair rent protection for tenants in this province is no protection at all, nothing, get rid of rent controls, get rid of rent review.

However, they are offering this carrot. They are saying: "Of course this is going to put the squeeze on tenants. Of course this is going to result in the massive, wholesale eviction of people" who are living in what, quite frankly, are fire traps and substandard housing anyway, but it will result in the wholesale eviction of these people. They are saying, "To deal with that problem, what we'll do is create a subsidy scheme for landlords, a welfare system for landlords."

My first response to that, as a person who deals on a daily basis with the welfare authorities on behalf of people who are currently not landlords but who are on welfare and encountering the problems, I would not say to landlords that they want to set up a welfare system for themselves, but no doubt they do think this is another cash cow for them, because they can win both ways: they can get higher rents and they can also get subsidies. So their solution to the problem for these tenants and their only

sponse to tenants living in rooming houses in this city and poor tenants all across the province who are forced to live in substandard conditions is: "Let's get rid of rent controls, rent review, any form of rent protection. Let's let rents go up to whatever level the landlord, on a whim or a hunch, wants paid for whatever reason and let's create a massive welfare system for landlords."

We are here to say that that is wrong. Not only does it not make any sense financially, but it just does not make any sense in any notion of fairness or justice. We think the current legislation before this committee, Bill 4, is a sensible solution. The current rent review system is in a mess, there is no question; we accept that. Poor tenants are in a catch-22 situation, as I mentioned. They are afraid on the one hand to complain about substandard conditions because they will be evicted, but on the other hand they have to endure fire traps. Many people live and many people die in fire traps.

We think Bill 4 will bring some temporary order to the rent system in this province. We would urge this committee, along with tenants and others who have the best interests of housing at heart to work to create the kind of effective long-term solutions that will bring some sort of sense. We are here to deliver a single and very strong message today on behalf of low-income tenants in this city and across the province: Bring in Bill 4, bring in some real rent protection, and then let's work for the long-term solutions.

That is our formal presentation. We would be happy to deal with any questions.

Ms M. Ward: I simply want to say on our behalf that we concur with everything you say. I have run across many of the cases you are describing in my riding association, increases of 39% and rats in the stairwell and elevators without sufficient lights to see the person on the other side of the elevator. I would like to thank you for your presentation.

Ms Hayes: If I may add something to what I was previously saying about the 43.05% increase, I failed to mention an important point, that there are cockroaches and rats in that building. I was visiting the building recently and it is a hell-hole.

Mr Mammoliti: If I may, just fact-finding. You mentioned the 43% increase. How much is that to the average person in the building? How much would that be as an increase? Do you know?

Ms Hayes: For a one-bedroom apartment, I think the charge is now something like \$1,011 a month. That is retroactive. You are talking here about retroactivity and how difficult and draconian and Ivan the Terrible-ish it is to retroactively implement a law, but this law has been retroactively implemented for tenants all along and they have had to pay large increases in lump sums.

Mr Mammoliti: Any relation to income? How much would they make on an average?

Ms Hayes: In this particular building over 50% of the tenants are refugee claimants. Therefore they are abandoning the building; they are just leaving en masse. Do not ask me where they are going. I would assume they are going

somewhere with friends or family where they can find refuge. Quite frankly, I have no idea who is going to live there now. I grapple with the question of how the landlord is going to rent out these units, because literally there are rats and mice and the renovations that were done were unnecessary. I do not know who is going to move in there.

Mr Duignan: You have probably answered my question. Mainly the people who live in this particular building and a number of other buildings are people like single moms, people on social assistance, and in fact a 15% increase that some people proposed earlier would have a dramatic effect, because their income is so fixed and so low. An earlier presentation mentioned a cap of 15% annually. Even a cap of 15% annually would have a dramatic impact on the cash flows to those tenants.

Ms Hayes: Absolutely.

Mr Shapcott: If I can jump in, because I do work with a lot of people. In some cases that kind of increase, for a single mom, for instance, means not being able to buy certain necessary things such as fresh milk for her children, fresh fruit; it means relying on food banks. The food banks in this province—unfortunately, one of the few growth industries other than repossession and bankruptcies—are providing food that is not nutritionally very good for people. People cannot survive on food banks, especially young children, so every dollar that is squeezed out of a single mom's income in order to go to a landlord means a dollar less for necessary things like food, clothing in the wintertime. In some cases, in more serious situations, what it will mean is an economic eviction.

In this city about two years ago there was a situation, not an isolated situation, of a schoolteacher named Randy Fraser who was on a fixed pension. He was economically evicted from his apartment because his rent just kept going up so high he missed his rent payments and was kicked out. He was living on the streets and in fact died in the streets of Toronto of hypothermia one winter while he was trying to take shelter in the doorway of an abandoned building. That is the kind of very grim situation. We have to be very clear here that what are fairly abstract percentages, perhaps, being presented to this committee today in very real terms mean nourishment, in some cases life and death for the poor people of this province.

Mr Duignan: What you are actually saying is that any increase above the guideline just adds to the misery and poverty that is already there.

Mr Shapcott: And the solution that is before this committee and the solution the government is presenting, which is in essence to say, "Let's stop all this madness and let's bring in a better system," we think is the only solution.

The Chair: I think one of the panel members has—

1700

Mr Olsen: Thank you. My name is Bob Olsen. The previous presenter, Mr Mancredi, obviously is a victim. I think he is a victim of land speculation. We have a land speculation system here in Toronto which is quite unique. I think the fact that landlords are able to pass through their

losses to the tenants in addition to the allowed rent increases encourages speculators to buy and sell properties at exorbitant prices and the costs are then passed on to the tenant. The rent review legislation has not worked simply because there is this additional speculation profit. As we all know, the gap between the poor and the rich in this country continues to increase every year, is constantly increasing, partly because of the opportunity to speculate in real estate which has been promoted or allowed by the current rent review legislation.

Ms Harrington: I wanted to let you know that, not being familiar with Toronto, I had the opportunity a week ago, on Monday—it was very, very cold—to walk around Parkdale and go into some of the buildings and that was quite an experience. What I found was that there was a deterioration. It seemed to me that the landlord was actually allowing buildings to run down. These are buildings that are maybe only 20 or 25 years old. From the outside they look passable, but inside it was another story, and it was quite a revelation to me.

The idea of Bill 4 is that it is a breathing space for long-term legislation, as you know. I just wanted to say that in the long-term legislation I think all of us agree that we have to bring the landlords on side as well as the tenants. When I say "landlords," the bottom line is that we want people who are not interested in selling the buildings but who are interested in operating these buildings and making it work.

The Chair: We will move now to the Liberals. Mrs. O'Neill, seven minutes.

Mrs Y. O'Neill: I understand, Marnie, that you are speaking for one building. Is that correct?

Ms Hayes: I was speaking on behalf of the Ontario Coalition Against Poverty.

Mrs Y. O'Neill: Okay, but you are referring to a building that has a one-bedroom apartment for over \$1,000.

Ms Hayes: That is right.

Mrs Y. O'Neill: I do not know whether that is an isolated case. I have had some experience, as has my family, looking for accommodation in Toronto. I find that rather extraordinary, a one-bedroom apartment for more than \$1,000 a month, but in any case you have stated that.

Ms Hayes: I could give you the address.

Mrs Y. O'Neill: That may be helpful, although I am not asking for that. Does that building have a tenants' association?

Ms Hayes: Currently, the building does not have a tenants' association. In the past, it had. There is a very transient population in the building, as I mentioned earlier. There is a large number of refugee claimants who do not speak English, so they have found it very difficult to organize. So the answer is no, not now, but in the past, yes.

Mrs Y. O'Neill: You made a passing remark about the rents being at this level because there had been unnecessary renovations. Would you be more explicit about what you consider unnecessary renovations?

Ms Hayes: Yes. This particular tenants' association in September 1987 made submissions to the city of Toronto neighbourhoods' committee with evidence and photographs of the renovations which were carried out in the building in the hopes that the city of Toronto would deem the building to be subject to the Rental Housing Protection Act and not allow the landlord to do the renovations because he was carrying them out in such an unprofessional and unruly manner. In other words, the building was turned into a construction zone. What they were actually doing was putting in new kitchen cupboards and new bathrooms that were unnecessary, that were not needed. The bathrooms and the kitchen cabinets were not old.

Mrs Y. O'Neill: But the renovations went ahead. Was that when the tenants' association disbanded? You said that in 1987 there was a tenants' association and now there is not one.

Ms Hayes: The renovations went ahead and many other things happened in the building, that is, the landlord provided for a subsequent rent increase.

Mrs Y. O'Neill: Are you telling me, though, that there was a tenants' association and now there is not one?

Ms Hayes: That is right.

Mrs Y. O'Neill: Okay. Is there any waiting list to get into the building? You say people are leaving.

Ms Hayes: There is no waiting list. In fact, there are units that are becoming vacant.

Mrs Y. O'Neill: And they are staying vacant?

Ms Hayes: To my knowledge. I believe so, yes.

Mrs Y. O'Neill: Because you asked the committee where these people are going to go. Certainly I, as a member of this Legislature, get requests at least weekly, often daily, to go on public housing waiting lists. This particular spinoff has not been talked about much, and I think we have to consider that as well. Thank you for your information.

The Chair: Mr Tilson, you have seven minutes.

Mr Tilson: I congratulate you for the work you have indicated you are doing, because I think this is the start of what many of us fear is going to continue, in other words, the continuation of a slump. We are in a recession. We have more and more people without jobs who are moving to Toronto specifically, to the large urban areas. Any landlord who wishes to build a new apartment unit is crazy, because it does not pay him or her to do it; they are absolutely crazy. Mr Tenenbaum, I think, gave a complete summary of the problem. Why would anyone build an apartment building? The example you have given of someone paying \$1,000 a unit for what you have described as appalling conditions, a slum—I mean, the place is going to sit vacant. That is the problem and I think that is what is going to continue.

You have listed examples of health violations, fire violations, of property standards bylaws being violated both municipally and probably provincially. You have probably criminal law being broken with drugs and violence and heaven knows what else. You have problems

with youth and older people who simply cannot get accommodation. I congratulate your group in doing the work it is doing. I challenge the government in this green paper to be introducing that probably, hopefully, all of these problems will be addressed. If it does not, if it is just more of the same old thing that Mr Tenenbaum has talked about, we are going nowhere. We have a system that does not work. In my opinion, that is what Bill 4 is doing, the same old story. My question to you is with respect to Bill 4, how does Bill 4, whether it is temporary or permanent, solve all of the horror stories you have described to us?

Mr Shapcott: I begin by saying that we also accept the position you put forward that it probably does not make much sense if you have money and you want to invest it to invest it in rental housing. Certainly the figures show that rental housing has not been attracting a lot of investment, and new rental starts have been dropping off since 1973, well before any rent review legislation was even conceived of in this province. That is the private sector's investment decision.

What that suggests to us is that perhaps housing is not something that should be subject to the vagaries of a market. Perhaps we should be moving away from this notion that somehow we should be creating a system that can entice investors into it. If this committee and indeed if the government wants to move in that direction, inevitably they are going to have to follow the Fair Rental Policy Organization's solution, that is, set up a massive welfare system for landlords, because landlords are not going to be able to create rental housing for the more than one million people in this province who are living below the poverty line. That is a simple economic reality, so we think the government has to look at solutions other than the private sector in terms of rental housing, especially for lower-income people.

What Bill 4 does, in our view, anyway, in the situation I described of this privately owned rooming house in the east end of downtown Toronto it gives these people some freedom to be able to go, as you have quite rightly stated, to the various authorities and say: "We want your inspectors to come in. We want this House to be brought up to a standard. We want to live in safety and decency. We want to have our rights under the Landlord and Tenant Act to live in decent accommodation be upheld."

At the moment, they are afraid to do that because they know the minute they do, if they are successful in getting the building inspectors in, the fire inspectors and so on, one of two things will happen. One likely scenario is that the house will be closed down because it will be deemed to be such a firetrap, and then they will be out on the street. For many poor people, the choice between living in a firetrap and living on the street is a difficult choice but one they have to make.

The other scenario, if the place is not closed down, is that the landlord will be ordered to do extensive renovations. Then, under the current system, the landlord will simply jack up the rents which are already unaffordable for the people living in this particular house and many similar houses. The tenants will in fact be economically evicted. So they face a situation where if they attempt to try and

improve the quality of their housing, to live in the kind of standard of housing that any of us would take as an absolute bare minimum, things such as fire safety, being free from pests, painting at least once a decade, they face either an eviction because the place is deemed to be unfit for habitation or an eviction because they cannot afford the rent increases. What Bill 4 does, quite simply, is allow the tenants to get their places brought up to standard and not have to worry that big bill is going to hit them.

1710

The landlords will claim that it is unfair that they should have to pay the costs. In our view it is unfair that a landlord in this house and many houses like it have profited for years and years, to the tune I mentioned, this year, of approximately \$50,000 annually without doing the necessary maintenance and repair. They have made their years of profit. Now we think it is completely appropriate that they be asked, directed, ordered, required, legislated, whatever the word is, to do the work that is necessary.

I will just say in summary, for the situation I was describing and the situation that many low-income tenants across this province find themselves in, what Bill 4 does is it gives them the freedom to be able to seek to bring their housing up to a necessary standard without fear of being evicted economically or in other ways.

Mr Tilson: I think that in many ways what you and Mr Tenenbaum say, ironically, is the same thing. Where you differ is that this legislation, in my view, and where I differ greatly with what you are saying—I support what your problems are; these are terrible, terrible social problems that you have described to us and we are going to hear more as this legislation goes on.

My concern is that Bill 4, if anything, creates slums. It goes on and on. The problem that we have, which with all due respect was created by the last government, is going to get worse. Obviously, I am sitting here. I am concerned with those social problems. I am concerned with the problems you are having. It is called anarchy when you start getting slums and you start getting people not caring. Whether they be landlords or tenants, it creates a downplay of quality of life. Our quality of life deteriorates and I do not think you want that and I do not want that.

The Chair: We have time for one short answer.

Mr Shapcott: May I say to the member that if his option, instead of Bill 4, is to throw everything out the window and let landlords do whatever they want, then I think we would be into a far worse disaster than that.

Mr Tilson: Don't put words in my mouth.

Mr Shapcott: It seems to me those are the options that certainly the landlords' lobby organization has been pushing for over many years and will do doubt push for again tomorrow.

The Chair: I want to thank our panel for appearing before us today, for providing us with some very extensive information and background knowledge, which you have been able to gain over many years of experience and work in the community. We thank you for coming before us.

GEORGE CZUMAK

The Chair: Our next and last presenter—last but not least of course—for today is George Czumak. You have been allotted 20 minutes. I would like you for the record to state your name, the organization, if any, that you are representing and any position you may hold in that organization.

Mr Czumak: My name is George Czumak. I am here representing my mother, Helen Balen, who is the owner of a low-rise. It is a sixplex.

The Chair: You have 10 minutes and then you will have 10 minutes to dialogue with the committee.

Mr Czumak: Very good. Basically, I do not know where to start but I will try to do the best I can here.

The Chair: Take your time and start wherever your notes help direct you. It is very informal.

Mr Czumak: First and foremost, I am here with respect to the rent review order which we have received this past December. It had stated that we were entitled to a certain amount of phase-ins. I believe everyone has a copy, pages 11, 7 and 8, with respect to the phase-ins to which we were entitled to satisfy the hardships and loss of income that we had incurred from the purchase of the property.

This building was purchased by my mother, Helen Balen. It is a 50-year-old building. It was not owner-occupied at the time, so as you can imagine it had been in desperate need of repair and so forth. It was just totally neglected.

We are located in a chronically depressed rental area. The rents we were charging at the time of possession or purchase of the property were approximately \$350 for an 850-square foot apartment. The building, as I mentioned, is 50 years old. There is a lot of character in the building. People in the same area were charging approximately \$600 to \$650 for the same type of dwelling, in worse condition than ours. We found that very hard to swallow. We have owned the building for four years and we lived with that fact for a few years. We felt that was very unfair and very unjust for us.

My mother purchased the building, not for the purpose of flipping it, as I guess Bill 4 has been introduced to dissuade people from doing. My mother is retired. She is on early pension disability. She was involved in a car accident and she would like to retire in this building. My grandfather also lives in the building. I live in the building. We all pay rent.

With respect to repairs, you should have seen the building prior to our renovating it, which we have done extensively in the last year and a half. That was a very stressful time in my life, dealing with contractors and so forth which I had never done in my life before, and I found it to be very stressful. We have improved the building at least 100%. Aesthetically it is a beautiful building now to look at. Many of our neighbours have congratulated us and complimented us on bringing the street back to life, because it was a very scary building prior to our living in it.

My mother had refinanced. We are not well-to-do to start with, so I can appreciate when people come up here

and they talk about \$20,000, \$30,000 and \$40,000. That a lot of money to us. My mom had refinanced basically every penny that she could, and as we have found out now we have overextended ourselves, for the reason that we believed we could bring the rents up to a fair rent, so that believe I can have my mom live in a comfortable environment where she can be happy and she can just retire and live there with her family, myself included.

Now what has happened with the introduction of Bill is that we understand that any occurring phase-ins will have been deemed to be null and void, which we feel is very unfair again, because this application we had made to rent review was done in November 1989. At that time, as mentioned, we had put in every cent we could to bring the building up to a normal living standard.

We had not done any exaggerated expenses like satellite dishes or what have you. Basically, everything that was done to the building was required and was needed. There were windows; there were kitchens and plumbing and electrical. Everything we did we had to do, basically, because it was substandard.

I guess basically why I am here is that I would like to at least let someone know that I do not feel it is fair for the introduction of Bill 4 to cut me off from the subsequent phase-ins I was entitled to, as I have marked in yellow. That makes a big, big difference. Although you may feel that it is only 5% per year, I feel that does make a big difference in the cash flow and our being able to carry the mortgage we have incurred. We feel that we would like to be able to get those phase-ins and be able to carry on and have a positive cash flow.

We have been losing money from day 1 from the purchase of the building. It was not purchased as a quick flip. It was just purchased for my mother to be able to retire in and to live comfortably, to have and to keep. It is kind of like being married, I guess, to cherish. It is yours for ever, I guess. That is all I have to say.

1720

Mrs Y. O'Neill: Would you please state again the figures of the rentals you are charging and the size of the apartments.

Mr Czumak: Currently the rents are now approximately \$690.

Mrs Y. O'Neill: How large is that apartment? You gave a square footage.

Mr Czumak: It is approximately 850 to 900 square feet. It is a very large apartment.

Mrs Y. O'Neill: That is a two-bedroom?

Mr Czumak: That is correct.

Mrs Y. O'Neill: What were these rents when you first took over this building which was in such disrepair?

Mr Czumak: They were approximately \$325.

Mrs Y. O'Neill: Could you be a little more explicit with the kind of repairs you did.

Mr Czumak: I have 13 pages of my rent review order here.

Mrs Y. O'Neill: These were all discussed with the people in the rent review office?

Mr Czumak: Yes.

Mrs Y. O'Neill: Could you tell, were some of these related to safety and health concerns that you had for the building when you purchased it? If so, could you just give us a couple of examples?

Mr Czumak: With respect to safety, I do not fully understand that question, but first and foremost we have one brand-new windows throughout the entire building, which I believe would be a safety factor because of the area we are in. They were very old and broken windows. People could crawl in and out whenever they wished.

There have been new doors put on. The garage was just totally open. There were no doors on the garages before now. We placed new doors on the garages. They can be locked and secured so no one can go in and out of the garage. All the doors are now working where we can close the building off completely from the outside. We used to find rubbies sleeping in the hallway or downstairs in the basement, which did frighten myself and some of the other tenants in the building.

Although it may not sound important, the kitchens were very bad. As you can appreciate in a 50-year-old building, they were all obsolete, all cracked tiles for counter tops and old sinks. Whenever you would run water, you would get brown water and stuff like that, so the plumbing had to be redone. Kitchen cabinets were installed.

Painting of the building: It had not been painted for many, many years. Light fixtures: New lights were installed in certain areas.

Mrs Y. O'Neill: Are some of the original tenants still here or have you totally changed over?

Mr Czumak: No. Out of the six units we have there, there is one woman who is still there. She had been there for approximately 15 or 18 years. She is very happy with all of the work we have done there. She has not complained or created any problems whatsoever.

Mrs Y. O'Neill: At the moment it is totally rented?

Mr Czumak: Our building? Yes.

Mrs Y. O'Neill: Have you got a waiting list?

Mr Czumak: No one has approached me.

Mr Turnbull: Is there any of the work that you did which you would consider to be of a luxury nature?

Mr Czumak: I think everything we have done to the building definitely adds to the sense of being luxury. I know myself just having all of the apartments and hallways cleaned and painted, I consider that a luxury. I do not know what you mean by "luxury." There are no saunas.

Mr Turnbull: Any marble halls or saunas?

Mr Czumak: No, nothing ridiculous done. Everything was needed.

Mr Turnbull: When you said that you changed the windows, did you find that after you had put the windows on there was a reduction in the energy costs?

Mr Czumak: Since last year, when the windows were installed—the completion of installation was last year—

yes, we have found there to be very much more heat generated or kept within the building. Again, there is the noise level from the exterior. For example, the streetcar tracks are quite close to us because we are very close to the lakeshore. You can hear the windows rattle and the streetcars go by all the time. Now it has been diminished considerably.

Mr Turnbull: What was the percentage of cash that you put into the deal when you bought it?

Mr Czumak: The percentage of cash? Do you want to know what the down payment was and basically with respect to the mortgage? My mother had put down \$50,000.

Mr Turnbull: On a six-unit building.

Mr Czumak: That is correct, and she had assumed a first mortgage of approximately \$135,500 at 11.5% for five years, which came due this past Christmas.

Mr Turnbull: What was the effect when it came due?

Mr Czumak: Fortunately enough for myself, it is a two-phase problem. Actually, it was unfortunate that we had to refinance because of the added expenses we had incurred, but that made us basically lock into a new first mortgage at 12.25% last January. Shortly thereafter, the rates started climbing as we are all familiar with now and they are still quite high.

Mr Turnbull: By last Christmas do you mean the one a few weeks ago or the one the year before.

Mr Czumak: Excuse me; one year before.

Mr Turnbull: What would you think the possibility of being able to get that same mortgage on this building today would be in view of Bill 4? Would it make it difficult for you to remortgage the building?

Mr Czumak: It being a vendor takeback, that in itself eliminates a lot of red tape and so forth with qualifying, etc.

Mr Turnbull: The new mortgage.

Mr Czumak: The new mortgage. Could I refinance now on the same terms and conditions? Luckily enough, things are starting to come down again and I believe we might be able to refinance for basically the same interest rate because I understand they are around 12.5% now.

Mr Turnbull: Do you know if there would be any difficulty and reluctance of lenders in view of Bill 4 and your inability to generate a cash flow for the building?

Mr Czumak: That I do not know. I am sorry. I could not answer that.

Mr Turnbull: All of the things that you replaced, the windows, the plumbing, the kitchens, all of this was original to the 50-year-old building. Is that correct?

Mr Czumak: That is correct. Yes, sir.

Mr Turnbull: You are saying that the \$690 you are charging for the two-bedroom apartment is typical for the area.

Mr Czumak: Personally, I feel that this rent we are charging now is very fair. I do not feel that there would be any problem. Let's just put aside the rent controls. I think that if there were no rent controls, people would be more

than happy to pay, let's say, \$800 for these apartments because anybody who comes just says, "Oh, gee, I would be more than happy to pay \$800 to live here because it is a very well kept up building."

There are buildings now in the area that were renting and still are renting—I know people who are living in them—for \$600, \$650, perhaps now \$700 illegally, so they are not legal rents, but still are being charged and people are living in them and they are nothing compared to ours. I do not mean they are nothing, but I mean they are very much in disrepair. I feel the rents could be more. I personally think the rents we receive now should be \$800 or \$850.

Mr Turnbull: That would be similar to others in the neighbourhood.

Mr Czumak: I think that would be similar to others in the area, yes.

Mr Turnbull: You are currently making a loss on the building?

Mr Czumak: Yes. We have been from day one.

Ms M. Ward: I have a few quick questions. How long ago did you purchase it? You may have said that. I did not catch it.

Mr Czumak: The building was purchased in January 1986.

Ms M. Ward: You also mentioned that some of your family lived there. How many units are rented to non-family?

Mr Czumak: Three to non-family and three to family. My mom lives there. I moved in, and my grandfather, who is now 81. My mom brought him in because he was living on his own and she felt she had to look after him. It just worked out perfectly. Someone had moved out and we asked him to move in. He did not want to at first, but he did do so and it was a good move.

Ms M. Ward: The rent is now \$690?

Mr Czumak: It is \$690, approximately \$700.

Ms M. Ward: The figure of \$300 was mentioned when you purchased it.

Mr Czumak: That is correct.

1730

Ms M. Ward: That is a \$390 increase. Over what period of time did that take place?

Mr Czumak: The increase had taken place in the last year. We had spent in excess of \$80,000 on the building and we had received a 65% rent increase.

Ms M. Ward: So the \$390 was a one-year, one-shot increase. It happened all at once.

Mr Czumak: Yes, exactly. There were about three years when we had gone by with the \$325 payments every month. We just could not make any ends meet with that.

Ms M. Ward: I am sure the information is here, but I have not been able to find it. What rental are you asking for now?

Mr Czumak: I am not asking—

Ms M. Ward: I am sorry, could I back up for second? What year was the increase to the \$690? When did that occur?

Mr Czumak: The \$690 occurred as of March 1990.

Ms M. Ward: When did you apply for it?

Mr Czumak: In 1989, so it took over a year to attain. We did attain it and as of this March we were allowed 5% phase-in above and beyond the 5.4% guidelines which are stipulated this year.

Ms M. Ward: But that is on top of the 65% increase.

Mr Czumak: That is correct, because of our hardships and financial loss.

Ms M. Ward: And what are you asking for in this document? I have not found that.

Mr Czumak: I am basically asking for my phase-in to take place, because of the loss we have taken in excess of \$10,000. I think the government, instead of giving me or my mom the \$10,000 back, has allowed us to have phase-ins to compensate for that loss. Now they are telling me that basically they do not care about the 10 Gs that they owe us.

Ms M. Ward: This will be my last question. What you were expecting was 5% plus the guideline, so approximately an additional 10% each year.

Mr Czumak: For approximately two years. It would have happened this March, next March, and I think the outstanding amount capital loss would have been satisfied after next March, so it is not that I would have been receiving that for the next three, four or five years.

The Chair: We have time for one question.

Mr Mammoliti: You spoke about one tenant remaining in the building and it is a six-tenant building.

Mr Czumak: It is a sixplex, yes.

Mr Mammoliti: A six-unit building. Did the other five tenants leave because they could not afford the phase-in?

Mr Czumak: They all left prior to the rent order being applied for. There were personal problems among them that I had nothing to do with. It is not that I kicked anyone out to bring in family or anything. As I mentioned, I did not evict anyone or give anyone a notice of termination because I was bringing in family or anything. It was in rough shape. They all left. They wanted to go elsewhere and live elsewhere, so it worked out that we were quite lucky also for that reason.

The Chair: Mr Czumak, thank you for the information you have given the committee today. Thank you for appearing before us.

Mr Czumak: Thank you very much for hearing me.

The Chair: You are welcome. Committee members, that basically is the end of the public presentations for the day. We are almost right on time.

We made arrangements earlier today to have Ministry of Housing staff come back. I am under the understanding that staff is here. They left with us this morning a document dated 15 January 1991, I believe. We talked about allocating approximately one hour for staff to take us

through their document and also to answer questions on Bill 4 that members of the committee may have and, further, to make note of information that members might be requesting. So I would like to invite the ministry's staff to come and join the committee. Please take a seat.

Mr Tilson: Mr Chairman, I appreciate the problem we're all in with time and understanding the agenda that has been prepared and even extending until 6 o'clock. I do not know how other members of the committee feel, but I have problems sitting past 6 o'clock. I gather from the tone of your comments that we will be sitting past 6 o'clock, but I am just putting you on notice that because of the agenda that was fixed by yourself and the clerk, even anticipating an end at 5 o'clock, I have made other arrangements. I know you perhaps have no comment to that, but I am just telling you for the record.

The Chair: I understand what you are saying. I will endeavour, for the rest of these hearings, to do the best I can to ensure that we stick to our schedule. I was lenient two or three times during the day and we probably lost about 15 minutes.

Mr Tilson: I realize that today there was a lot of technical arguing trying to determine where we are going, but to be fair, it would seem to me that the staff will have some substantial comments and there may be other members who are unable to sit past 6 o'clock. I have no problem going until 6, but they may go on for an hour, they may go on for an hour and a half, what with questions.

The Chair: The other alternative that I would offer the committee is that tomorrow, when we adjourn for our lunch break at noon I could have lunch ordered in and we would have from 12 to 2. That is an alternative that the committee might want to consider. Maybe it is not the right alternative; I see some heads shaking. I am at the mercy of the committee right now. I am trying to keep a schedule. I am getting a big new clock brought in tomorrow so that we try to keep on a better schedule. I hear you, but I do not know what I can do at this stage.

Mr Tilson: Probably the committee has created the problem for you. I guess we either proceed or we make other arrangements. To be fair not only to the members of the committee but members of the public who are perhaps wanting to hear these presentations, sitting past 6 o'clock is unfair.

The Chair: If it is understood and if it is the consensus of all the committee members that 6 o'clock is the end of the day, I will govern the committee accordingly.

Mr Tilson: I make it clear I have no problem sitting past 6 o'clock as long as we know well in advance.

The Chair: I understand. I appreciate that.

Mrs Y. O'Neill: I have the same difficulty because I am committed to another function this evening in my role as MPP. I have stated I would be there by 7 o'clock. There is travelling involved. I thought I would have absolutely no difficulty with that. I think we have obligations to many publics in this position. I certainly at this moment do not feel I can phone and say I am not going to be there two hours from now.

The Chair: I appreciate that. Does the committee have any advice for me?

Mr B. Ward: Whatever you wish.

The Chair: Whatever I wish?

Mr Tilson: You have not had an offer like that in a long time.

The Chair: No. That is the best offer the committee has given me. I think I will grab the gavel so that you do not take it back.

Can I ask the ministry staff how long it would take to go through this in an orderly fashion without questions, just to hear you take us through it?

Ms Beaumont: I would estimate approximately 45 minutes.

The Chair: Forty-five minutes. That would take us to 6:25. I know we cannot go through it without at least one question. I know that will be impossible.

Ms M. Ward: Could you determine if anyone has any objection to the lunch-hour suggestion for tomorrow?

The Chair: Is that a problem?

Ms Poole: It is a problem with me because I had arranged a cable taping, with guests and other people participating, tomorrow from 12:30 to 1:30.

The Chair: Is it impossible to rearrange it?

Ms Poole: Since that was the only time I could get these guests together before my cable show next Tuesday, it is difficult.

Mrs Y. O'Neill: What about tomorrow morning? We still have a little bit of time there.

The Chair: I am not going to be here at 9:00 am, but the Vice-Chair can be.

Mrs Y. O'Neill: I am sorry, you mentioned that.

The Chair: If it is for a full briefing, sure, that is fine. I do not object, because we are not going to be making policy for the committee; we will just be accepting a briefing from ministry officials. All members have heard the staff. They believe that to give a thorough briefing without questions is going to take 45 minutes. If you allocate from 9 to 10 am, you are only going to have 15 minutes.

Mrs Y. O'Neill: I think we should do something now.

The Chair: I agree. That is fine.

Mrs Y. O'Neill: Maybe half an hour now.

The Chair: Is the Vice-Chairman available tomorrow morning at 9?

Mr Brown: I am available at 9.

The Chair: That is fine with me. I apologize to the ministry staff for bringing some of you back who had not planned on being back, but I understand maybe all of you work until 6 o'clock over there every night anyway. Whether you are here or in the ministry offices, you probably enjoyed what you heard today anyway. The committee will reconvene under the chairmanship of the Vice-Chairman tomorrow morning at 9 am and we will continue to follow the schedule that we have agreed to for the rest of the day.

The committee adjourned at 1740.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

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Journal des débats (Hansard)

Le mercredi 16 janvier 1991

Standing committee on general government

Residential rent regulation
amendment act, 1990



Comité permanent des affaires gouvernementales

Loi de 1990 modifiant la
réglementation des loyers
d'habitation

Chair: Remo Mancini
Clerk: Deborah Deller

Président : Remo Mancini
Greffier : Deborah Deller

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Wednesday 16 January 1991

The committee met at 0908 in room 151.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Vice-Chair: This is the second day of committee hearings on Bill 4. I have an announcement to make, that a revised schedule for this afternoon's hearings will be available to committee members some time this morning. I would remind committee members that this means we are sitting until 6 o'clock so you can arrange your schedules accordingly. As soon as it is available to us, we will make it available to the members of the committee.

MINISTRY OF HOUSING

The Vice-Chair: This morning I would like to welcome the officials from the Ministry of Housing once again to brief us on this legislation. For the purposes of housekeeping, I would like you to identify yourselves and then proceed with your presentation.

Mrs Beaumont: My name is Anne Beaumont. I am the assistant deputy minister of housing policy. I want to introduce you to my colleagues, Dana Richardson on my right, who is manager of existing stock policy, and Christina Sokulsky on my far right, senior solicitor in our legal branch.

We provided the committee yesterday with an outline of our remarks. You may find that helpful to you in following the presentations as we move through them this morning.

First, I am going to try to provide some context for your deliberations and for the presentations that will be made to you by giving you some information on the rental stock in the province, on the existing system of rent regulation and on the results of that system. I will also in the course of my presentation provide you with some information in response to your questions of yesterday morning that were directed to the Ministry of Housing specifically.

Let's look first of all at the rental stock: 63% of all homes in Ontario are owned and 37% are rented. That means there are approximately 1.25 million rental units; 84% of those or 1,050,000 are privately owned, and that is the stock with which the rent regulation system in this province deals. Of those units, 40% are in high-rise buildings; we would classify a high-rise as a building of five or more storeys. These buildings, you will find, are usually owned by numbered companies on behalf of corporations and are managed by property management firms, because the ownership and operation of these large buildings is big business. The remaining 60% of the units are in low-rise buildings. This would include individual units rented out

by a family in its home and small, individually owned buildings. Perhaps surprisingly, 74% of the low-rise stock is also controlled by corporations.

Most of the rental units, not surprisingly, are located in large urban areas. Forty-five per cent of the rental stock is to be found in the Metro Toronto census area, 11% in Ottawa and 6% in Hamilton. We have a substantial proportion of the private rental stock in those three large centres.

We take a look, then, at the vacancy rate within buildings. You will no doubt have seen from your reading of the media that vacancy rates have been improving lately mainly because of the number of condominiums on the market, particularly in Toronto, but vacancy rates in the province are still very low, especially in the major centres. In October of last year, as you can see from the information sheet, vacancy rates province-wide were only 1.4%, and in the three large centres: 1% in Toronto, 0.5% in Ottawa and 1.3% in Hamilton. These figures are a long way from the 3% which has traditionally been held to be an indication that the market is operating in a healthy fashion.

The demand for rental housing has grown much faster than the rate at which the market is providing it. You can see from the figures on page 2 of the information sheet that private rental starts in recent years have generally been below the 12,000-a-year mark. Condominiums—and this is why we provided the information on condominium starts—have helped provide some relief from low vacancy rates, as approximately one half of all condominiums are rented out and in the last four years there was a very high production of condos, some would argue an overproduction of condos for the market that was available to buy them. As you can see in 1988 and 1989, condo starts were over 20,000 a year. These have certainly helped the rental market, but unfortunately when they do come on the rental market they tend to be at a very high rent level, partly because all new buildings tend to be at a high rent level because of the costs of construction and partly because condos, as they were designed to attract the purchaser, include a large number of luxury features and so do tend to be very expensive.

Rental stock that we have in the province is aging: 65% of the rental stock is more than 20 years old and much of the rental housing we have, in particular the high-rise rental housing, was built in the 1960s and early 1970s, and now, of course, major building systems are requiring repair or replacement regardless of whether they have been well maintained or not. If the maintenance has not been at adequate levels, obviously more money needs to be spent.

You asked a question yesterday on the state of the stock. One of the pieces of information we distributed late yesterday afternoon was called Background: Available Data on the Condition of Ontario's Rental Stock. It looks like this: it is about half a dozen pages extracted from a

report; there are some graphs on it and some text. Let me comment on a few of the things in that piece of material. In 1989, Statistics Canada—based on a report by Statscan—indicated that 29% or 349,000 of Ontario rental units were identified by occupants to be in need of major or minor repairs; the last couple of pages of this material indicate what was meant by major and minor repairs in that survey. Low-rise apartments accounted for the largest number of rental units identified as being in need of major repair, and the number of units in need of major repair has increased over the last 30 years because of the aging of the stock. The proportion of units in the rental stock identified as being in need of major repair has also increased over the last 30 years.

Other information included in this handout indicates that the proportion of tenants perceiving a deterioration in maintenance—this is separate from need for repair—has increased in the years 1977-87 in the six largest centres in the province. It is projected that there will be a significant increase in the number of rental units in need of major repair by the end of the century as the stock continues to age.

Statistics Canada information again indicated that rental renovation expenditure in Ontario has been relatively flat and has lagged significantly behind expenditure by home owners on their property.

You referenced in the question yesterday documentation for the Ministry of Housing's \$10-billion estimate of outstanding renovation and repair work. The Ministry of Housing has not estimated \$10 billion needed. The \$10-billion estimate is a FRPO, Fair Rental, estimate, and that is derived from a ministry study that was undertaken in 1982. This is indicated on page 6 in the handout. In 1982, as part of a larger study, there was an examination of five high-rise buildings in Toronto, and based on estimated-to-be costs in those buildings, there was a projection of the need across the whole stock. That projection has been translated into 1989 dollars, which would be \$4 billion to \$7 billion needed over a 20-year period. FRPO took that figure and again increased the number to \$10 billion. Our estimate would be \$4 billion to \$7 billion needed over a 20-year period.

On a similar subject, you asked for information on the low-rise program and, again, we distributed a single sheet last night on that program. This was a program introduced in December of 1985 and planned to rehabilitate 19,000 low-rise units by 1990.

In fact, by yesterday we had committed expenditures of something over \$83 million for just over 19,000 units. This is full expenditure on the program, and there is no money available at this time for further allocation. That is something that has been reviewed.

You asked for a projection of the impact of Bill 4 on this. Our information indicates that of landlords who do get funds under the low-rise program, five sixths of them, 83%, do not come to rent review for an increase above the guideline, so 83% of them would not be affected by Bill 4 at all.

There is the possibility of landlords who get money under low-rise coming to rent review for the money they

spend on capital which they do not get through the low rise program, their share of expenditure. One in six of the landlords who get money under LRP do come for that and they have the potential of being affected, but that is a small proportion of the numbers.

Let me turn now to the rent regulation system we have in effect, starting on page 3 of your large handout. We have had various forms of rent regulation in this province since 1975 under three pieces of legislation. From 1975 to 1979 the Residential Premises Rent Review Act, commonly known as RPRRA—I am going to give you some of the jargon for things in the legislation, because as you hear presentations you may hear a number of the people using jargon. There is a lot of jargon in rent regulation, believe me.

0920

The act you may hear referenced more frequently, though, is the one that was in effect from 1979 to 1986, the Residential Tenancies Act or the RTA. The act currently in place is the Residential Rent Regulation Act.

All three systems regulated not base rents but the rate of rent increase and all were based on the cost pass-through principle. We have set out for you what that principle is because it is a fundamental basis of rent regulation in this province. This operates so that the government in some way or other, and the ways are varied, establishes a guideline. Rents can be increased up to that guideline without the landlord being required to seek approval from a government body. A landlord could apply to a government body to get approval to increase rents above the guideline, but would have to justify costs which could be passed through into rents. So we have a level up to which you can raise rents and the potential of pass-through above that with justification and approval from a government body. That is the cost pass-through principle.

I am not going to comment on some of the earlier systems of rent regulation but only on the RRRA, which is the current one. It is that act which Bill 4 seeks to amend. You will see this on pages 4 and 5 of the handout. The RRRA is an interesting piece of legislation in many ways, in part because of the way it was developed. The features found in the act were negotiated by a committee of landlords and tenants in 1985, the Rent Review Advisory Committee, known as RRAC. In presentations made to you, you may hear a number of comments on RRAC and the deliberations of RRAC and recommendations of RRAC and why certain features went into the RRRA or did not because of those deliberations at RRAC.

The RRRA, although there are a few exemptions, covers virtually all private rental units in the province. The previous legislation only covered properties rented before 1976. For a time, units renting for more than \$750 a month were also exempt. Because post-1975 units were brought under rent regulation for the first time in the RRRA, there were different provisions applied to them, so you may hear references from people making presentations to the pre-1976 and post-1975 buildings and the different way in which they are treated. This is the basis of it.

I mentioned, in commenting on the cost pass-through principle, that government establishes in some way or

her a guideline. Under the RRRRA the guideline increase formerly known as the residential complex cost index, or CCI, is calculated annually. I am going to give you the whole formula, but I will explain later what it is in principle. It is based on a formula of 2% plus two thirds of the percentage increase in the three-year moving average of a typical landlord's cost of operating a building. This typical landlord's cost of operating a building is a formula called RCCI, or building operating cost index. So when you hear landlords in particular talk about RCCI and BOCI, this is what they are talking about. RCCI is what the general public thinks of as the guideline increase in rents every year. BOCI is part of the formula on which it is based and that part of the formula that addresses the cost of operating a building.

The 2%, in addition to that part of the formula, is based on an allowance for profit and 1% on an allowance for minor capital expenditures. Again, you may hear landlords indicate that in a year in which they go for approval of major capital expenditures above the guideline, go for a rent review order, they lose the 1%. They have argued that this has encouraged the bunching up of capital expenditures in one year so that they only lose the 1% once rather than over a series of years.

What you really need to understand about the guideline increase though is that it is based on the costs of operating a building and that it does include an allowance for maintenance and for minor capital expenditure. It is based on inflation, but what it does is to smooth out inflation by using a moving average. So if there is a year in which there are very high increases in inflation which could lead in that year to very significant increases in rent, that is smoothed out by the operation of the formula and that has been seen in most of our discussions with both tenants and landlords as a plus.

The 1991 guideline is 5.4%. We list as well, at the bottom of page 4, the factors on which you can justify increases above guideline. I am not going to explain what all of these are. You will find, in the glossary in the blue pages at the back, the first couple of pages of the glossary, an indication of what these are, but you will see there is a range of areas in which a landlord can apply for increases above guideline.

The decision-making system: Under the Residential Rent Regulation Act the initial decision is an administrative decision made by a rent review administrator who is a member of the ministry staff. That decision is based upon written representations and responses from landlords and tenants. It is possible for either party to appeal the decision to the Rent Review Hearings Board, an independent board, and a hearing is then held before one member or three members on request.

Another new feature of the RRRRA is the rent registry. The 1985 rent of all units is to be registered and verified in the registry as a means of checking on illegal rents. Registration is mandatory only for buildings with six or more units, and the rents of more than 650,000 units have been registered in the registry to date.

Finally, the Residential Rental Standards Board was established to help address concerns about adequate

maintenance. That board has established a standard for maintenance which has been published in the Ontario Gazette and it reviews work orders sent to it by municipalities and can recommend to the minister that he impose rent penalties for poor maintenance.

Finally, let's take a look at some of the effects of the RRRRA. On page 6 we list some key statistics. In any one year, an average of 17% of all rental units in the province come before rent review for an increase above guideline. In the four years in which the system has been operating, the average rent increase awarded has been 11.1%, although as the minister indicated in his remarks, that average does not always give the true picture. Averages, of course, can always disguise the very low end and the very high end. Page 4 of the blue pages shows the range of increases awarded and you will note that almost 50% of the increases awarded are above 10% and 2.06% of them are above 30%.

The average—and bear in mind my warning about averages—current maximum rent in the province is \$508, that has, on average, increased to \$564. The major reason for increases in orders issued by the ministry, an operating cost allowance—in essence, that is the equivalent of the guideline increase. It is adjusted and I will not go into details about how it is adjusted, but that is taking out the 1%, among other things. So the operating cost allowance is the equivalent of the guideline. Above that, the major reasons for an increase above guideline are capital expenditures and financial loss.

0930

In the last four years, we have issued over 16,500 orders of rent increase. Tenants can also apply for rebates under the Residential Rent Regulation Act, and we have issued over 8,500 orders for rebates, with an average rebate of \$1,063 or 13.1% of the rent.

You asked a question yesterday on luxury renovations. Again, last night we distributed some material which starts—it is four pages; the first one is numbered page 4 because it comes out of the report—with extent of the problem. This is based on material we prepared a year ago when we were looking at the issue of necessary and unnecessary capital, an examination which resulted in some regulatory changes in April.

As part of that examination we took a look at some key buildings which were referenced in the media and in the House and from other sources. We also did a random sample of buildings. We did not go out and look at the buildings. It was based on the material the ministry had at hand, and we made some assumptions based on that material about what was necessary and what was unnecessary. Because we did not go out and look at the buildings I should alert you that some of what we had assumed was unnecessary may in fact have been needed in the particular case. But you will see that the things we had included under unnecessary included things like bathroom renovations, dishwashers, intercom upgrades, lobby renovations, microwaves, etc.

In looking at those numbers, I will take you to the bottom of the second page of this, numbered page 5, under "Random Survey." We looked at 92 orders from pre-1976

buildings with capital expenditures. This showed that on these, the average of the total rent increase ordered was 12.62%; 7.49% was due to capital and, of that, what would seem to be due to unnecessary was 2.43%. We indicate again over the page that 58% of the pre-1976 orders include capital expenditures. There is a summary on the last page of this from the survey.

Finally, the backlog. I included this information because I assumed we would be asked about backlog. We currently have on hand 5,461 applications to be resolved, representing over 200,000 units. This is a very major reduction from the backlog, which at its height was 27,000. So that is being handled.

The minister indicated yesterday in his remarks that the current system is very widely criticized as being too complex, and tenants have been very critical of the high rent increases awarded and have advocated a system of rent control that would protect them from economic eviction. It is in response to these concerns that the government has proposed a partial moratorium effective 1 October until there has been full public consultation on the new system of rent control to replace the RRRA.

Dana Richardson will now speak to you on the features of Bill 4.

Ms Richardson: My material starts at page 8 in the large handout, and I am going to be discussing an overview of what is in Bill 4.

The major feature of Bill 4 is that it is going to limit rent increases as of 1 October 1990. Most rent increases will be limited to the guideline. There will be some above-guideline rent increase permitted under Bill 4.

Bill 4 is an amendment to the Residential Rent Regulation Act, and it focuses in on the rent increase features of the Residential Rent Regulation Act. As such, all the other features of the act remain intact. That means that a tenant can continue to challenge a guideline increase; a tenant can make an application for a rebate for an illegal rent increase. The Residential Rental Standards Board continues to operate. The Rent Review Hearings Board continues to operate, as does the Rent Registry. So the other features of the rent review programs do continue.

Bill 4 is an interim measure, and there is a sunset date in the bill of 1 January 1993.

On the next page, I would like to describe how Bill 4 limits the maximum rent increases. As I stated, most increases will be limited to the rent review guideline. In 1990 that is 4.6%, and in 1991 that is 5.4%. Above-guideline rent increases will be permitted for two factors: extraordinary operating costs and interest rate changes for mortgage renewals. I will be describing in more detail both of those features.

Rent increases will not be permitted to exceed the amount that a landlord requests on an application. That is a change from the current system, and it was referenced by one of the witnesses yesterday.

Bill 4 does not pass through financial loss, economic loss, hardship relief, equalization, capital expenditures and the list that Anne Beaumont indicated to you.

Extraordinary operating costs: These are the kinds of costs that are genuinely beyond a landlord's control. They

are the kinds of costs often shared by home owners. If there are significant cost changes in six categories—and the six categories are municipal taxes, heating, hydro, water, cablevision and insurance—the cost changes must be significant, and in order to test whether they are a significant amount, there is a formula that is set out in the legislation. The costs must increase by more than 50% of the amount recognized in the building operating cost index, which is the basis on which the guideline is calculated, or by an amount that is equal to at least 1%.

I would like to give you an example of how that actually works. In 1991 the building operating cost index has calculated that the average of municipal taxes in the past three years has been 7.76%. In order to be eligible for an extraordinary operating cost pass-through, an individual municipality's tax increase would have to be at least 50% higher than 7.76%, and that would be about 11.5%. So if a municipality had a 12% increase in 1991, this would be considered to be an extraordinary operating cost and the difference between what the guideline would recognize which is 7.76%, and the actual cost of 12% could be passed through.

Decreased costs as well as increased costs in these six categories can also be recognized. If landlords make an application for any one of these six categories, they must provide the information in all six categories so that if there is an increase in one category, it may be offset by a decrease in another category.

0940

The second feature in which a rent increase can be justified is an interest rate change, but only in certain circumstances; the interest rate change on a mortgage renewal or refinancing, only if the renewal is at arm's length and to the extent that the principal amount recognized is 75% of the acquisition or construction cost, and it must be calculated using a 25-year amortization. Under the current system, the Residential Rent Regulation Act, principal could have been recognized up to 85% and there could have been different amortization periods recognized. These two features are changes.

What the legislation will recognize is the general trend in interest rates. It may not actually recognize the landlord's actual cost experienced, but if there has been a change in the general trend of interest rates, this will be picked up in this cost pass-through. It will not pass through a landlord's financial loss due to increased financing related to a purchase.

Because Bill 4 is an amendment to an existing act, there are a number of transitional rules in order to make it work together with the current act. I am going to deal with four categories: how Bill 4 affects certain applications, certain orders, phase-ins, and how in certain circumstances there may be some refunds owing to tenants.

Under rent review, if a landlord wants to increase the rent by more than guideline, the landlord must make an application at least 90 days before the first intended rent increase. In the next 12 months after that first intended rent increase, as the anniversary date of each rental unit's rent comes up, it will be subject to the same percentage rent increase as that first rent increase. So "first effective date"

a code word or jargon word in rent review and it is the trigger date that will cover the rent increases in that building for the next 12 months. Undoubtedly, you will be hearing people making reference to "first effective date" of rent increase, and it is used in the context of an application or an order or a phase-in.

If the first date of the rent increase, the first effective date on an application, is on or after 1 October, it will be decided under the Bill 4 rules. If the first effective date of an application is before 1 October, Bill 4 will not affect that application. We estimate that approximately 130,000 rental units will not be affected by the Bill 4 rules. There are rental units that are covered by applications currently under review in the rent review system.

As you know, the bill was introduced on 28 November. Some rent review orders had been issued for rent increases on and after 1 October prior to that date. There are some offices in the province that are absolutely current and they are issuing rent review orders before the first effective date of rent increase. So there are approximately 194 orders that were issued that had a first effective date of rent increase on or after 1 October.

Under Bill 4, some of these orders will be voided and some of these orders will be replaced. A replacement order will happen if the same criteria that are available under Bill 4 were found in that particular application; that is, that they have extraordinary operating costs or they have financing cost changes. If an order is not being replaced and it is voided, then the landlord will only be able to collect the guideline amount, which is 4.6% for the increases in 1990 and 5.4% in 1991.

There are also some conditional orders that have been issued. A conditional order under the RRRA occurs when a landlord makes an application and the essence of the application is, "If I do this capital expenditure, how much could be passed through?" A determination is made on the basis of the cost presented at the time of the proposed capital expenditure, and then the landlord must actually come back to rent review and make a whole-building review application to have that passed through into rent. But it is a conditional order that will look at what could be allowed if the work is done.

There will be a number of conditional orders that have not been followed up by a subsequent rent review application for increases before 1 October. There are approximately 37 of these orders, covering 3,739 rental units.

Phase-ins are a mechanism by which a financial loss, economic loss or equalization is calculated on a rent review order. The rent increase is spread out over a period of years, and without making another application the landlord can collect that rent increase through a phase-in. The Ministry of Housing sends out a notice of phase-in which indicates the amount that can be collected in the following years. Phase-ins operate like an order. They have a first effective date of rent increase that covers the increases in the whole building for the next 12 months.

There also were a number of phase-ins that had been issued by the time the bill was introduced, and if they had a first effective date on or after 1 October, they also will be voided. Approximately 2,800 notices of phase-in fall into

this category. If the first effective date of rent increase for the building occurred before 1 October, it will not be affected by Bill 4.

There are some circumstances in which tenants will be eligible to receive a refund because the orders have been voided or the phase-ins have been voided. In those circumstances, the landlord who owes the tenant money must repay that money within 60 days of Bill 4 receiving royal assent. If the landlord does not pay then the tenant may deduct the amount owing from future rent or make a rent review application for a rebate. The potential effect would be that there are approximately 194 orders that this might be occurring in and approximately 2,800 phase-ins that this might be occurring in.

On page 14, I have set out some examples on how in a particular case Bill 4 would affect an application. I have set out five examples and I will just go over a few of them.

If an application for a whole-building review increase was made in July, after 1 July, for financial loss, the first effective date of rent increase would be 1 November 1990, in this example, to cover all rent increases up to 31 October 1991. So the increase is occurring in the next 12 months. The result under Bill 4 will be that the rent increases that come up for their annual increase in 1990 will be limited to 4.6% and in 1991 to 5.4%. The reason is that the first effective date of increase occurs after 1 October 1990.

Examples 2 and 3 are very similar. They are examples where an application for an above-guideline rent increase is made somewhat earlier. In example 2, it is made on 1 April 1990 and there may not yet be a rent review decision or an appeal decision issued for that. The result under Bill 4 is that because the first rent increase in this example was 1 July 1990, it will be decided under the rent review rules in place at the time the application was made. It will not be affected by Bill 4, and that is the same effect in example 3.

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In example 4, an order was made for an above-guideline increase commencing 1 November 1988 based on financial loss. The financial loss was going to be phased in at 5% per year until it was eliminated in about four years. The result under Bill 4 is that the notice of phase-in with the first effective date of 1 November 1990 will be void. The landlord will not be able to collect the above-guideline increase.

Example 5 is an indication that a feature under the RRRA will continue to operate. It is called maximum rent. In the example, a landlord did not charge a rent increase in 1990, but decides to charge the full permitted increase in 1991. Under Bill 4, as under the RRRA, that landlord can actually charge a 10% rent increase without coming to rent review, which picks up the increase he did not take in 1990 as well as the 1991 rent increase. But that is a permitted rent increase, because it is just going up to the level of the maximum rent permitted.

Very quickly, there are the final three features of Bill 4 that I would like to mention: The first is tenant payments of retroactive orders. As Anne Beaumont indicated to you, there are still approximately 5,000 rent review orders in our system and some of these may result in quite high rent

increases being awarded. Some tenants will have to pay a significant amount of money retroactively for these orders. Bill 4 provides that where rent review orders have been delayed by at least three months after their first effective date of increase, such orders can permit a tenant to pay the money owing to the landlord either in a lump sum or in 12 equal monthly instalments. The instalments can continue to be paid after the tenant moves out. It does not absolve the tenant from having to pay, but it stretches out the period over which those payments would be made. This will affect all rent review orders as of 29 November.

Additionally, there is a clarification in Bill 4 that rent review covers rented sites in a mobile home park and land lease communities, even if the living accommodation is owned by the tenant. The current wording of the RRRA has been the subject of some court proceedings and this is a clarification of the rent review coverage.

Finally, we intend to simplify the information requirements on a notice of rent increase, which is the notice that all tenants receive each year, even for a guideline rent increase.

There will be a number of regulations that will support Bill 4 and they will set out a number of forms and the calculations needed to calculate extraordinary operating costs and interest rate changes. It is our intention to bring forward to this committee at the time of clause-by-clause review a draft of those regulations so that you can see what they will be when they come into effect at the same time Bill 4 is passed.

That completes my part of the presentation and now Christina Sokulsky would like to just go over the outline of Bill 4 and how it legally interacts with the RRRA.

Ms Sokulsky: As Dana Richardson has mentioned, I would like to discuss how Bill 4 is organized and how it relates to the Residential Rent Regulation Act which it seeks to amend.

First, I would like to discuss how the Residential Rent Regulation Act is organized. The act is divided into various parts which deal with a number of matters. Sections 1 to 4 of the act contain definitions and provisions dealing with the application of the act and exemptions from the act. These provisions are following by parts I to IX.

Briefly, part I contains notice of rent increase provisions. Part II deals with general matters and includes provisions relating to the Residential Rental Standards Board. Part III deals with procedure. Part IV deals with the Rent Review Hearings Board. Part V deals with the rent registry. Part VII deals with appeals. Part VIII contains licensing provisions. Part IX contains miscellaneous provisions. Part VI of the act deals with rent regulation and includes provisions relating to the amount and frequency of increases permitted, and applications by landlords for above-guideline increases and by tenants for rent reductions and rebates.

I am now going to discuss how Bill 4 relates to the Residential Rent Regulation Act. As I mentioned, it seeks to amend that act. Sections 1 to 7 of the bill contain the following provisions: They contain an amendment to the definition section, in particular to the definition of "rental

unit," to clarify coverage under the Residential Rent Regulation Act of rented sites for mobile homes or single family dwellings, even if the mobile home or single-family dwelling is owned by the tenant of the site.

Those sections also contain an amendment to the notice-of-rent-increase provisions discussed by Dana Richardson. The sections also contain an amendment to the section of the Residential Rent Regulation Act dealing with whole-building review orders to allow those orders to provide for instalment payments of amounts owing by tenants.

The sections also contain incidental amendments to the Residential Rent Regulation Act required by the establishment of a new part, part VI-A, and also contain provisions for repeal of those amendments.

I would like to move to section 8 of the bill which amends the Residential Rent Regulation Act by adding part VI-A, which establishes a complete code for regulation of rent increases taking effect on or after 1 October 1990, with certain exceptions. Those have been discussed by Dana Richardson and I will briefly outline them again.

Part VI-A does not apply to rent increases in applications, notices of phase-in or orders if the first effective date for the residential complex in the application, notice of phase-in or order is before 1 October 1990.

I would like to briefly deal with features of part VI-A. Part VI of the Residential Rent Regulation Act, dealing with rent regulation, as I mentioned, does not apply where part VI-A applies, unless otherwise indicated. Part VI of the Residential Rent Regulation Act contains section 70 to section 100. Part VI-A commences with section 100a and ends with section 100u. Part VI-A is repealed on 1 January 1993.

Some of the matters dealt with in part VI-A include the amount and frequency of rent increases, circumstances under which a landlord may apply for above-guideline increases and the criteria to be considered on such an application, and I refer to sections 100d and 100e.

Another feature is tenant applications to dispute rent increases and request rebates, sections 100g and 100j.

There are also provisions voiding certain orders and notices of phase-in, section 100n.

I will now move to the final sections of the bill, which are sections 9 to 13. They contain the following: amendments to the Residential Rent Regulation Act, 1986 relating to the following: regulation-making powers to give effect to the provisions of the bill and provisions to repeal those powers; further incidental amendments required by the establishment of part VI-A; and provisions for repeal of those amendments.

Sections 9 to 13 also contain provisions dealing with the coming into force of various sections of the amending act, with two exceptions. The provisions of the amending act are to come into force on royal assent. The two exceptions are as follows.

The first is the amendment to the definition of "rental unit" in the Residential Rent Regulation Act. That shall be deemed to have come into force on 1 January 1987, but no rights acquired by a person from a court order of judgment before 29 November 1990 are affected.

The second exception is the amendment to the Residential Rent Regulation Act allowing whole-building review orders to provide for instalment payments by tenants of amounts owing. That provision shall be deemed to have come into force on 29 November 1990.

Finally, the last section of the bill provides that the short title of the act is the Residential Rent Regulation Amendment Act, 1990. That concludes my remarks.

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Mrs Beaumont: That concludes our presentation. I recognize that we are out of our allotted time, but I would indicate to the committee that the ministry would be available to the committee to come back at another time, if you want the opportunity to ask questions of us.

The Vice-Chair: Thank you. We appreciate your very informative presentation. I do, however, know it has evoked some questions. May I make a suggestion, that perhaps you could come back following the morning sitting, at approximately 12 noon? The committee at that time could ask the questions that it needs clarification on. We would have lunch brought in, if that suits both the presenters and the committee. That may be a suggestion that we find useful.

Mrs Y. O'Neill: I think that is a very admirable suggestion. I feel that the sooner we get back to our questions the better. It is usually helpful. I certainly feel the presentation has clarified a very complex issue greatly, but there are certainly still questions we have from our party. So I would really like to encourage this arrangement.

Ms Poole: The only problem I do have is my conflict at 12:30 with the cable taping. I am trying to get it changed, but I do not know if it is possible. If it is impossible, perhaps I could have the liberty of starting the questioning off at 12 o'clock, if that would be agreeable to committee members.

The Vice-Chair: I would think we could accommodate that. Is that the pleasure of the committee?

Mr Abel: I have one request, if I may. If we could get together again at 12:15, I would like to have some discussion with some of the colleagues here for 15 minutes between 12 and 12:15. I do not know if that would conflict with Ms Poole's timetable.

Mrs Y. O'Neill: I thought, Mr Chairman, we had just agreed to your suggestion to have the ministry people come at 12.

The Vice-Chair: I am not exactly clear what is going on here. Are you just saying that we want to start with the ministry at 12:15?

Mr Abel: At 12:15, if we could.

The Vice-Chair: Rather than 12. That would cause Ms Poole some difficulty.

Ms Poole: I could probably delay it at least 15 minutes.

Mr Abel: I do think some discussion has to take place with the other people here.

Mrs Y. O'Neill: Mr Chairman, may I please get a clarification? Is Mr Abel asking for a 15-minute discussion period with this committee in closed session?

Mr Abel: No, I am not.

Mrs Y. O'Neill: What is he asking for?

Mr Abel: That we reconvene at 12:15.

Mr Drainville: A 15-minute recess, from 12 noon.

Mrs Y. O'Neill: That would have been a much clearer way to express it, but that is fine, a 15-minute recess.

Mr Abel: My apologies.

The Vice-Chair: I think we have a consensus that at 12:15 the committee will reconvene to hear the Ministry of Housing continue its presentation.

Mr Tilson: My question, Mr Chairman, to perhaps you and the clerk, is that before we get into this again, obviously we are getting into the start of time problems. We have, as a result of yesterday's proceedings, expanded certain times, specifically Mondays. These are going to be recurring problems and hopefully we will be put more on notice that something is going to happen between 12 and 2 or between 5 and 6 or some evening, well in advance. As I indicated last night, I have no problems sitting these extra times, but quite frankly I want notice of that, if the clerk and the Chair are contemplating specific times. When I say "notice," hopefully more than 24 hours notice.

Clerk of the Committee: Could I just respond to that briefly? I will have this morning a revised agenda for today and tomorrow. You can appreciate that I had a time problem too, since the committee only agreed yesterday to increase its time until 6 o'clock, so I only finished scheduling yesterday at about 5. That revised agenda is being typed up now and will be to the committee later this morning.

Mr Tilson: Mr Chairman and Madam Clerk, I certainly do not mean this as a criticism of you. I am just trying to organize our days, as we all are, and she is too, of course.

The Vice-Chair: I think all members have the same difficulties and we appreciate that. I think we all have to understand that this is only the second day and hopefully things will run a little more smoothly as we continue. Thank you for your presentation. We will see you again at 12:15.

METRO TENANTS LEGAL SERVICES

The Vice-Chair: The next presentation will be from the Metro Tenants Legal Services. We have Anne Keating with us. Would the people at the table identify themselves to the committee? We have scheduled 40 minutes for your presentation: 20 minutes for your actual presentation and 20 minutes for a discussion with the committee to follow from the issues you raise. You may begin.

Ms Keating: Good morning. My name is Anne Keating. I am staff lawyer and director of case work at Metro Tenants Legal Services. Susanne Bregman is a tenant at 11 Shallmar Boulevard, and Sonia Gruson is also a tenant at 11 Shallmar Boulevard.

Metro Tenants Legal Services is a legal aid clinic which serves low-income tenants in Metropolitan Toronto.

We practice principally in the areas of landlord-tenant law, rent review, and other areas of the law which affect tenants and low-income tenants.

Metro Tenants basically supports Bill 4. We strongly urge the committee to pass Bill 4 quickly. We support it as an interim measure that is necessary to protect tenants from rent increases that are too high while the government prepares permanent legislation. I wish to stress to the committee that we support Bill 4 principally for two main reasons:

The first is that tenants must be protected, because most tenants are poor people. I have cited some statistics in the brief that has been distributed to you from the 1981 census in Canada, which shows that 28% of Ontario's population is tenants. In 1980 the average income of a renter household was \$15,000, while the average income of an Ontario household was \$22,600 in 1980 figures. Furthermore, 21% of family renter households in 1980 had incomes of less than \$10,000. I am saying most tenants are poor people and we have to support this bill because it protects poor people.

Why are tenant households of lower income? One of the reasons is that most of them are headed by women, 57% in 1980, and more tenant households are headed by people under the age of 25. At Metro Tenants, we see the human side of these statistics day after day. I remember very vividly meeting with a woman, a tenant in northwest Toronto who was in her mid-fifties, a single parent raising a teenaged daughter, who was driving a bus for a small bus company and working as a dispatcher. I went to her home to help her calculate what her retroactive rent increase would be, and she wept in the living room as she said to me she did not know where she was going to find \$300 to pay a retroactive rent increase. She showed to me the books she kept, which meticulously accounted for every penny of her income and every penny she had to spend on her bills. She did not know where she was going to find \$300 to pay this retroactive rent increase which, under the present legislation, is due and payable as soon as an order is issued by rent review. This bill is designed to help tenants who are the poorer people of Ontario.

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The second major reason Metro Tenants supports this bill is that the existing rent review legislation allows landlords to pass through unlimited rent increases due to capital expenditures. I am going to focus my remarks at this point principally to the issue of capital expenditures. There is no mechanism in the existing legislation to prevent landlords from spending whatever they want whenever they want; it is the tenants who pay. Under the existing legislation, tenants in effect are credit cards for the landlord.

Some of you may be fairly unfamiliar with the existing rent review legislation. Essentially, it is called cost pass-through. This means that the landlord may decide one day, "I'm going to renovate the lobby." The landlord can go downtown, order the furniture, order the wallpaper, order the floor tiles and change the lobby. He presents the invoices to rent review, which adds them up and then issues an order to the tenants to pay for those renovations.

That is essentially how rent review now works with respect to capital expenditures. There is no ceiling on the amount of capital expenditures a landlord can incur. A landlord today does not even have to show that a capital expenditure is necessary. If he wants to hire a designer to design the lobby, he can do so. The allowances are generous. Landlords get not only costs but the value of their labour, they get interest and they also get an automatic 10% management and administration fee. Allowances for capital expenditures are built into the base rents. Once they are there, they are there for ever, so long after the landlord has paid off the renovations, the tenants are still paying those allowances for those renovations.

There are some examples from our practice at Metro Tenants. For example, at 50 Stephanie Street here in Toronto, in 1984 tenants paid a 10.8% rent increase. At that time the landlord put in new carpets for about \$50,000 and about \$300,000 in garage repairs. The carpets were supposed to last seven years; the garage repairs were allocated over a useful life of 15 years. That means that over 15 years the tenants are paying for those garage repairs and over seven years they are paying for the carpets. They are still paying for those today.

In 1990 the landlord got another 20.5% rent increase. This time the landlord bought another \$75,000 worth of carpets and another \$300,000 went into garage repairs. The tenants are in the position of having to pay again for carpeting, again for garage repairs. It seems to the tenants that they should not be paying for these again, but there is no mechanism in place at present to require the landlord to justify an expense or to ensure that the landlord maintains the building in an ongoing way so that capital repairs do not become necessary because of a landlord's ongoing deliberate neglect.

At this point, I would like to ask Susanne and Sonia to speak to their experience at 11 Shallmar Boulevard. This is another example of tenants who are facing huge rent increases both because of capital expenditures and because of the purchase of a building, a financial loss. First, I will ask Susanne.

Ms Bregman: I would like to just speak to the orders we have received in our building. The first order in 1987 was 10.31%, and that was basically financial loss. To be honest, I wish just to put this into a human context. I do not understand how a landlord can come along and put 15% down on a building and pass the rest of the costs on to the tenants. This would amount to a phase-in over about six to seven years where the tenants would see a 5% increase per year. Most of the tenants in our building do not understand this phase-in. They are shocked by it every year when it comes up. They have no understanding of what it really means.

In 1988 we received an order of 23.98%. That was basically capital expenditures. Although many of the capital expenditures we received were considered necessary, such as the boiler and the parking problems we have had, much of it was unnecessary. We did not need a new lobby; we did not ask for it. We did not need new carpeting. We did not need new tiling on certain floors. We did not need new wallpapering. With respect to the capital expenditures

that were considered necessary, I believe there was much neglect of the building by previous landlords and I believe there was no preventive maintenance in the building whatsoever. Again, why should tenants be forced to pay for no preventive maintenance?—and we are still paying for it.

In 1989, we received another order, 18.41%, and that was actually continued capital expenditures for the garage and the boiler. Much of our building is seniors, women who live alone, who are on fixed incomes; I think Sonia will be addressing that. I have to leave the building. I cannot afford it. I am going into graduate school. I cannot afford a rent increase of over \$300 since I arrived at the building. I am angry and I feel that this will not help our building; we are too late. The landlord passed everything he could in a very short time. He bought the building and within just over a year he succeeded in increasing the rents. I would say that 20% or more of the building is now changed. If tenants can move, if they are physically able and financially able, they will move. It used to be that no one could get into this building because everyone had been staying there for 25 years. That is no longer the case.

Ms Gruson: I am one of those older women. I am not on a fixed income. I am still working even though I am past retirement age, and it is fortunate that I am, because my Canada pension and my old age security would pay the rent but would leave me \$200 a month to live on. I do not think I could manage it, so therefore I am still working, but there are many people in my building who are not. Women over 80 cannot make their pensions meet their rent and are being supported either by years of savings or children.

Susanne talks about people moving out. There is indeed more rental accommodation in Toronto than there was, but not rental accommodation that I can afford. There are apartments for \$1,000 and \$1,200 a month. I have been widowed for 11 years. I have only been working for 11 years, so my personal pension is not going to do much to my government pension to help me stay at 11 Shallmar, which has been my home since 1972.

I do not see why a person who has paid taxes and educated children should be forced to think of moving at my age because the economy does not allow me to live in what I consider my home and my neighbourhood. When I moved in in 1972, my husband and I were young people in the building. Now I am one of the old ladies in the building, and there are getting to be far fewer of us because we cannot afford to stay there.

Ms Keating: One of the things Susanne said raised another issue I wanted to speak to, simply that landlords cannot complain now and scream they are not getting paid for capital expenditures. They wait 25 years and do nothing, and then when, all of a sudden, capital and major repairs are necessary to the building they are passing through all of these costs to the present tenants. Why should present tenants have to pay for these kinds of capital repairs? In addition, when landlords scream that guideline rent increases are not going to be enough, just remember that a guideline rent increase, the formula that determines the allowance, is based on enough money to cover operating costs plus 1% for

small capital expenditures plus 1% gravy. Guideline increase is not just to cover costs. It covers much more than costs.

There are lots of other stories besides the tenants at 11 Shallmar Boulevard. We do not have time to present all of them to you, obviously.

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There is one other issue I wanted to mention, that is, the issue of financial loss. Susanne mentioned that their building was purchased by their landlord in 1987, I think it was. By the way, it was Susanne's landlord who got money from rent review to have an interior decorator design their lobby. Tenants are paying for an interior decorator who designed the colour scheme in their lobby. Susanne's landlord could sell this building and the tenants could again pay a rent increase based on the new landlord's financing costs. Nothing in the present legislation prevents financing costs as a result of multiple sales being passed through to tenants.

Bill 4 does address these issues, and Bill 4 would have helped these tenants. We urge the committee to pass Bill 4 and to get on to the program of designing permanent legislation to protect tenants in Metro Toronto and in Ontario.

In summary, there are simply too many landlords who are using rent review as an easy opportunity to raise the rent. Whether it is necessary or not, they are going to spend the money and get it passed on to tenants. Too many landlords are of the view that they have a right to profit, that tenants have to pay for everything, that the landlord should not bear any of the costs of this investment. It is time that we begin to recognize that housing is a basic necessity and a fundamental right. Landlords who have ignored ongoing maintenance for years and continued to collect guideline increases cannot now complain that their capital expenditures are restricted. In future, landlords should be required to maintain reserve funds, for example, to pay for capital repairs so that tenants 25 years from now are not suffering from rent increases such as those Sonia and Susanne have to pay today.

The Vice-Chair: Thank you for your presentation. It has been excellent. I have some questions from the committee. In rotation, we will start with the official opposition today. Ms Poole, you have seven minutes.

Ms Poole: Thank you for coming to present to us today. I would like to talk to Susanne about 11 Shallmar. You have described a situation which is of concern to me, where the same landlord year after year goes back to rent review for yet another order, so it is not a matter of a one-time expenditure. It is a matter that the tenants are consistently being asked to pay.

Ms Poole: However, at the same time I am concerned, particularly with our older buildings, that we do need money put in in certain areas. The roofs do give out. You mentioned the underground parking, which was corroding.

I had proposed some suggestions for Bill 4 back in the late fall that, instead of having a blanket moratorium where there would be no capital expenditures whatsoever, there be a cap on it so the landlord could not go for something like a 23% increase. The cap could be something like 10%;

that is just a ballpark figure, it does not need to be that. But when a landlord was going for capital expenditure, they would have to be deemed necessary repairs and by a fairly strict interpretation, so the lobby scenario could not happen, Jacuzzis could not happen, and many of the things that I think tenants find offensive.

Third, to protect against the ongoing neglect we see in some buildings—not all, but some—the landlord would not even be entitled to the guideline amount unless he or she received a building certificate which certified that the building was in a good state of day-to-day repair. In that scenario, you have protection of the tenants against a landlord letting things build up year after year and not giving you a decent place to stay on a day-to-day basis, at the same time recognizing that our housing stock is deteriorating and we really do need to address it somehow even in the interim legislation.

How do you see something like that working? Could you envisage that that would work as interim legislation until we decide how to deal with it?

Ms Bregman: Perhaps as interim legislation, but I wonder if landlords are going to be satisfied. We asked our landlord to increase our rent just 10% a year, put a cap on it. He was very angry about that: we had no right to ask that and he was going to go forward with it. We were more than willing to negotiate. I think you are going to find disgruntled landlords who feel capped.

I still believe in a reserve fund. I think that would best meet the needs of tenants. I also wonder what is going to happen to all the buildings, such as ours, that already have the increases. My rent is now close to \$800 for a one-bedroom apartment. When I moved in it was \$400. How does any future legislation help us right now? It does not.

Ms Poole: Yes, even Bill 4 cannot address the problem of what may have happened in some buildings in the past. I guess the problem is that there are some landlords who do abuse the system and have abused the system and we have to find out how to deal with those and at the same time look at other landlords who have been fair to their tenants and who have kept rent increases low when they have gone to rent review at all. So I am trying to find that kind of balance.

How do you see this reserve fund working? Perhaps Anne might like to comment.

Ms Keating: It could work along some of the same lines that it works now for the co-op sector. I do not have the expertise really to speak to the specifics of it. I think the committee could hear from the Co-operative Housing Association of Ontario or some of the co-op housing groups on the specifics of how that could work, but I would like to speak a bit to the question that you raise with respect to the cap on capital expenditures.

First of all, the question in my mind is, what are tenants paying for now? I mean, they are paying rent today and that is supposed to be to provide them housing that is fit to live in. Do landlords not also have to recognize that they have to pay for this investment? On a sale, they walk away with a capital gain and they do not account to anyone

for that capital gain. That is not taken into consideration whatsoever in rent review.

So it seems to me when we are talking about the poor landlords and the money they have to have to keep their buildings up, number one, they are getting lots of money already in rent, so what are they doing with that? Second, do they not recognize that they have to pay for this investment too, not just the tenants? Third, with respect to ensuring that buildings are kept up to standard, yes, we have property standards bylaws, but they are a minimum standard. An inspector will go in and issue a work order if the plaster is falling off your ceiling and your appliances are not working and you do not have any heat, but he will not ensure that your carpets get vacuumed every week. They will not ensure that your light fixtures get changed regularly. I mean, yes, we need to have building standards enforced. Right now the building standards are pretty minimum and I would say if we are going to adopt that approach, then we have to have mechanisms to ensure that a building is kept up to a good standard, not just a minimum standard of care.

Ms Poole: I certainly agree with you on that point. Do I have time for one more quick one?

With regard to the capital gains, this has been a concern of a number of people for many years, that landlords could have a double benefit, that they could put the renovations through rent review and get the rent increase, and then that would mean at the time they sold the building, the building would be worth more and the sale price would be increased because the rents would be higher. So Mr Sweeney, the former Minister of Housing, about seven or eight months ago did put through regulations which would put a stop to that. If a landlord did go to rent review and get money for capital expenditures and rent increases because of that, then the landlord could not realize that same capital gain if he sold the building within a five-year period. That was designed to stop the flipping.

I suppose that in your experience it is just too early to see whether that would have been effective, that you really did not have any cases where that had time to go into effect yet.

Ms Keating: The other thing, too, is that many landlords who purchased their buildings waited for a year to put in a lot of capital expenditures, so they are kind of gaining at both ends in the sense that they get a lower price for a building because it needs a lot of work and then do not really have to account for that later on.

The Vice-Chair: Do we have some questions from the third party?

Mr Turnbull: Ladies, thank you for coming here today. You are probably aware I am a Conservative and I do not want you to consider that in any way I am asking you questions in an adversarial way. I have a tremendous amount of sympathy for the needs of poor people and I want to agree with the statement made by Ms Keating that housing is a fundamental right of people and we have got to protect that.

The first of the questions I am going to ask you is really going to revolve around how we get to that ideal

goal of ensuring housing at an affordable rate. Ms Gruson, how do you feel Bill 4 will help you to make this affordable?

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Ms Gruson: As I explained, it is still now, for me, affordable, but I feel that Bill 4 will help contain my rent so that I will be able to remain in my building. Before I came here, I looked at my account book. I am paying \$200 a month more than I was in January 1990. That is the \$200 I was telling you I have after my pension income. If that is absorbed over the next few years, if it continues to go at \$200 a month a year, where does that leave me?

Mr Turnbull: Is your pension fixed?

Ms Gruson: As long as I am working, I am still adding to my pension. As I said, it is 11 years of work. The other pension is old age security and CPP. That is fixed according to how it is indexed by the government.

Mr Turnbull: What percentage of your income do you spend on rent at the moment?

Ms Gruson: At the moment, I spend about 25%. I know that 30% is considered average. I know that. I have said I am not entirely representative of the women who live in my building. But that shortfall is made up by the fact that I am still working.

Mr Turnbull: At the time the various claims were made by your landlord for increases above the guidelines, did you examine some of the details?

Ms Gruson: I participated in our tenant organization that helped frame responses to the request for rent review.

Mr Turnbull: Do you happen to know of the renovations that were done in your building? I believe I noted down boiler, parking, tile, lobby, carpeting and wallpaper. Do you know what percentage of the total amount of money that was spent on the renovations actually went to the boiler and the parking?

Ms Gruson: I do not know that.

Ms Keating: I can answer that.

Ms Gruson: I was dependent on the professional help that we were able to get.

Ms Keating: I do not have the exact percentages, but certainly they were a major part of the rent increase, yes.

Ms Bregman: They were the majority, definitely.

Ms Keating: They were the more costly items.

Mr Turnbull: Was the parking in need of repair? I have to assume it would be.

Ms Keating: Yes.

Ms Bregman: Most underground parking nowadays is in need of repair. Our building is about 25 to 30 years old and the corrosion is extreme. I might add, though, that there is still leakage in our underground parking lot. I question how the work was done.

Mr Turnbull: Unfortunately, it is a fact that it is almost impossible to totally repair an underground parking garage. The fact that we have a lot of salt put down on our roads, corrosion sets in on the re-bar, it starts faulting and that is why we have to repair it. Have you any idea ap-

proximately what the dollar amount of the parking repair was?

Ms Bregman: It was about \$150,000.

Mr Turnbull: And that was the biggest item.

Ms Bregman: Yes, next to the boiler.

Ms Keating: With respect to items such as underground parking garages, and of course many buildings have to face that kind of expense in an ongoing way, number one, all of that expense is getting passed through to tenants at a particular point in time. That is one of the points we are trying to make, that that cost should not be borne just by tenants.

Mr Turnbull: Ms Keating, I presume you have read the present Landlord and Tenant Act many times.

Ms Keating: Yes.

Mr Turnbull: Is it clear from your reading of it that the pass-through was quite legal?

Ms Keating: Oh, yes. I am not suggesting it was not legal, but I am also suggesting, in addition to the fact that reserves have to be kept to bear these kinds of major expenses as they come up—

Mr Turnbull: Can I ask you where the reserve would come from?

Ms Keating: It has to come from the landlord, from the income of the landlord, which includes the rents.

Mr Turnbull: What happens if the landlord has a negative cash flow?

Ms Keating: I am not sure. I do not have the answer for that.

Mr Turnbull: Do you think the money arrives out of heaven like manna?

Ms Keating: Landlords may have negative cash flows but they often have equity they can use.

Mr Turnbull: You have said yourself that maybe they are going in with 15% or 20% equity.

Ms Keating: I am talking about the rise over a period of time in the value of the apartment building.

Mr Turnbull: Yes, okay. You have mentioned the fact that it was a capital gain. Are you aware that landlords who have more than one building would be considered to be in the business of owning apartments and therefore it would not be considered a capital gain if they disposed of the building? Are you aware of that?

Ms Keating: Yes.

Mr Turnbull: Do you know what the tax rate would be if that business has been in business for any length of time, on disposition?

Ms Keating: No, tax is not my area.

Mr Turnbull: So you are not aware that 50% of that will actually go to the government on disposition?

Ms Keating: I am well aware that the government takes a great share of everybody's taxes.

Mr Turnbull: From the thrust of your submission, I read out of that that you feel it is landlords' responsibility to bear all costs, as opposed to government bearing some of the need for—we certainly believe in shelter allowances

to help people where affordability is a problem. Do you not think that governments have a responsibility in this?

Ms Keating: To bear some of the costs?

Mr Turnbull: The cost of making housing affordable to people.

Ms Keating: Certainly.

Mr Turnbull: Governments are profiting from the tax.

Ms Keating: I think the entire government platform should include measures to make sure that affordable housing is available to low-income people, including passing through, making funds available for co-operative housing and non-profit housing. I think it has to be part of an entire program. Obviously, rent control is not going to be the only measure.

But there is one other issue I wanted to speak to with respect to the reserve.

Mr Turnbull: No, no, Ms Keating. I want just to ask a question specifically with respect to that. Are you aware of an apartment building on Eglinton Avenue close to Bathurst where a rearguard action was fought by the city of Toronto to stop the demolition of the building? Finally, the city bought it in the interest of keeping affordable housing. Are you aware that in fact the rents after the city had renovated it more than doubled under the aegis of the city's ownership?

Ms Keating: I am not sure what your point is, Mr Turnbull.

Mr Turnbull: My point is that government does not provide affordable housing. It does not operate efficiently. The private sector, if allowed to operate in a reasonable way with reasonable controls, could in fact provide more affordable housing. I do agree with reasonable controls.

The Vice-Chair: Thank you, Mr Turnbull. This is interesting, but it is now time for—

Ms Keating: Could I simply say one other thing? That is with respect to this ongoing garage repair. The fact that the landlords can pass through moneys in an ongoing way to tenants, in my mind, is a disincentive to ongoing maintenance in the sense that they can simply get the garage repaired and rerepaired and rerepaired. There is no way tenants have of knowing whether the same thing is being repaired again and there is no incentive to ensure that landlords keep the buildings maintained so that capital repairs are not required again and again.

Mr Turnbull: Mr Chairman, in view of the fact that you have allowed that extra time for the statement, I must make the comment that I have never heard of any landlord re-repairing the garage before—

Mr Mammoliti: Mr Chairman, on a point of order: Seven minutes have gone by seven minutes ago.

An hon member: No, that is not true.

The Vice-Chair: Thirty seconds ago, actually.

Mr Mammoliti: Do I have the floor, Mr Chairman?

The Vice-Chair: You have the floor.

Mr Mammoliti: Let's go back to the garage again. There were some points raised about salt and how salt

deteriorates the asphalt, which in turn allows seepage through and the underground of course starts to leak. Has your landlord ever used calcium to melt snow?

Ms Bregman: No. There was no preventive maintenance whatsoever.

Mr Mammoliti: So there was no patchwork done to the asphalt on a regular basis.

Ms Bregman: No.

Mr Mammoliti: There was no refacing of the driveway.

Ms Bregman: It was one large endeavour that took a month.

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Mr Mammoliti: But on a regular basis there was nothing?

Ms Bregman: No.

Mr Mammoliti: One other question. You said that you had to move out because of these increases.

Ms Bregman: I am now trying to find another apartment, yes.

Mr Mammoliti: Okay. So you still have not found anything. What does that do to you personally?

Ms Bregman: It gets me down here.

Mr Mammoliti: Thank you.

Mr Duignan: I am pleased to know where the third party stands on the question of affordable housing. They do not believe in it. I hope that the tenants and the people who are expecting affordable housing in this province take note of that and keep noting it when the next election rolls around.

The Chair: It has started already.

Mr Duignan: Right. My question to you has to do with the reserve. As you know, most co-operatives and non-profits are required under provincial programs to have a capital replacement fund, somewhere around 0.075% of the capital cost. Would you like to see something like that built into a budget? I am a firm believer that if an apartment building is run as a business, it should be run properly. There is a budget done. Part of that budget includes costs for maintenance and for capital reserve. I just want to explore that possibility with you right now. Would you like to see something like that?

Ms Keating: Yes, I think I would. I think that is precisely the kind of thing we are interested in. I do not have any of the specifics in my mind at this point with respect to how it would work, but definitely something that could be built in in an ongoing way.

Mr Duignan: And to keep that constant, that capital reserve every year would be increased by the rate of inflation to keep the dollar constant.

Ms Keating: Yes.

Mr Duignan: Thank you.

Ms Harrington: I wanted to thank the three of you for coming, especially Sonia, I believe, who probably had to take time off work today. I know it is not easy to be here, but it is very important that we hear from you, who

re the actual tenants and who have gone through this experience.

I was thinking along the lines of my comrade next door here with regard to the problems and how we address these problems in the long run and trying to find adequate solutions. The first that you have raised very clearly is the ongoing maintenance, that this has to happen and that no landlord who comes for rent increases should be allowed these kinds of things without the commonsense approach to ongoing maintenance that we all take in our own homes and within our apartments. Somehow we have got to make sure that this message gets across. I will personally try to get that to the Ministry of Housing.

The second point that was raised was the capital expenditures. We know that these large capital expenditures come up from time to time. The suggestion that has been raised, that there be a fund for these things that are not every year, is something that I will also take back to the Ministry of Housing and try to incorporate in our long-term legislation, that the ongoing maintenance has to be done. We know that there are going to be large capital expenditures, but there is no sense wrapping them both up together into a huge package, because the increases, of 5.4% for instance in this year, have to include that maintenance, which will then stop those huge increases to some extent for the big capital things, which are only aggravated by this lack of maintenance.

I was going to ask you if I have stated those two concerns clearly. Is there anything you would like to add on that score?

Ms Keating: Those were our concerns.

Ms Harrington: Okay, thank you.

The Chair: I thank the organization for joining us this morning.

AFFORDABLE HOUSING ACTION GROUP

The Chair: The Affordable Housing Action Group is next on our agenda. If presenters could just please come forward and take your seats, make yourselves comfortable, I would ask you to introduce yourselves for the record, the organization which you represent and whatever positions you hold within that particular organization.

My schedule shows that we have set aside 40 minutes for this organization, which will give the presenters 20 minutes to make a formal or informal presentation to the committee, and the committee will then divide up the remaining 20 minutes. The floor is yours.

Ms Robinson: My name is Leslie Robinson. I am here on behalf of the Affordable Housing Action Group, which is a coalition of organizations that address housing issues. The group has a steering committee of representatives from the sectors of tenant, labour, non-profit housing, social services and academic, and I am one of the tenant representatives on the steering committee.

Ms Stewart: I am Fiona Stewart. I am the co-ordinator of the Affordable Housing Action Group.

Ms Robinson: The Affordable Housing Action Group was formed in 1986. We are a province-wide coalition. We have one staff person, who is Fiona, and the work that we

do is both advocacy and policy development in relation to housing and public education. We are particularly focusing on making contact with groups that are addressing housing concerns outside of Metropolitan Toronto, particularly in the ring around Metro Toronto and greater Toronto area but focusing on the province as a whole.

We are all advocating for housing, although we are not all housing advocates. Affordable Housing Action Group is an opportunity for groups and labour, for churches and synagogues and faith groups and for other social service agencies that are addressing a broad range of concerns to come together around housing issues. But many of us who participate in Affordable Action Housing Group, which gets called AHAG—we love the name—also work with individuals who have housing problems. We help tenants assert their rights with landlords. We help people create and move into non-profit and co-operative housing. We assist homeless people who are finding shelter. We help people who are looking for money to get the rent and who are looking to get access to food banks when the rent has eaten up all of their incomes.

Those people are not here today. I think it is important for you to realize that those people are not going to be here today, that people who are looking for a bed to sleep in tonight are not going to take the time out to come to a legislative committee hearing and tell you their story. They are not aware that the legislative committee hearing is meeting here, and if they were aware, it would not be a priority in their life.

The primary needs of their own—they are needing to get themselves fed, to get themselves warm and to get somewhere to sleep tonight—come first and they are far, far removed from the legislative committee process. We do not have the money to buy newspaper ads to put their photo in and tell their story on their behalf as well as their advocates. So all we can do is come here and speak on their behalf.

I am here as a person who is housed. I am adequately housed. My housing does not cost a huge portion of my income. So I am not speaking on my own behalf. I am speaking on behalf of the people who are not here. But those people are real. When we go back to our offices and meet the people who do come in our doors, who are looking for help for their problems, we have to face them as well. I want to give you just two examples that have stayed with me over the years of the frustration that we deal with in trying to help people.

I was working at the Federation of Metro Toronto Tenants' Associations and a woman came into my office. You never know what people are going to ask you about. She wanted to fight the rent increase in her building. The rent increase had already gone through. There was a retroactive order and she had been evicted for non-payment of rent. This woman, who was about 50 or 55 years old, told me that the building was the Maples, which is near Yonge Street and College, a fairly respectable building which was fairly affordable about four or five years ago. She told me that she and her mother were living in their car—this was the summertime—and that they were looking for a place to live. Her mother was

too embarrassed to come up to my office with her because she had not been able to have a shower and she thought she smelled and so she was staying in the car.

I tried the best I could. I told this woman: "There is nothing you can do now about a rent increase. The appeal period is passed. You have been forced to pay the retroactive, you have not had the money and you have been evicted. There is nothing I can do to help you to get back into your apartment." She thought she was going to come and I was going to help her get back into her apartment.

I did the best that I could and sent her off to look for a place to stay. She was too proud to go to a hostel and her mother was too proud to go into a hostel. They wanted housing. This woman had a job, she worked, she lived with and supported her mother. I still do not know where they went. I still do not know if they had a place to sleep that night other than their car, and that memory has stayed with me.

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The other experience I want to relate to you is working with a group of tenants who live in a private-sector high-rise building in the middle of St Jamestown. This building was built under the federal CMHC limited dividend program, and so it houses low-income people. The tenants have been receiving rent increases and were involved in a series of rent review applications by the landlord in 1985, 1986 and 1987; 1986 resulted in a 26% rent increase.

Then the tenants started complaining that they had no hot water and they started complaining that the elevator took so long to come pick them up. Those are two indicators that, we started realizing, had very little to do with what was happening with the hot water heater and very little to do with what was happening to the elevator. People were living two and three families in an apartment because they could not afford the rent one family per apartment.

What we are seeing all across the city is people doubling up. The people who are living two and three families per apartment were under the threat of the superintendent that they would be evicted for overcrowding so they had better not get involved with the tenants' association and assert their rights. Last election, those people did not even get themselves on the voters' list because their landlord had access to the voters' list and, if you put your name on the voters' list and you have got four or five or six adults in one apartment, the landlord comes knocking on your door and says, "Who lives here anyway?"

Homeless people are not just people who are living in their cars and people who are in hostels and people who are on benches. They are people who are living doubled up. I know a couple of years ago the Metropolitan Toronto Housing Authority estimated that there were 13,000 doubled up families in housing authority housing in Toronto alone. In many municipalities there are overcrowding bylaws, and those people are living there illegally and are subject to eviction.

In the Affordable Housing Action Group dealing with housing we deal with a wide variety and a range of housing policies, and rent control forms one part of a collection of housing policies which together we hope can ensure that

decent housing is available and accessible to those who need it, at a cost that they can afford.

A good housing policy must address the supply of new housing, the access that people have to housing and the cost of housing. We have come here today to support Bill 4 as one measure to address the cost of housing. We understand that Bill 4 is interim legislation and we encourage this committee to pass the bill quickly and pave the road for development of sensible rent controls in Ontario.

We are concerned that much of the public focus and debate on Bill 4 has been from the perspective that housing is a commodity and that construction and repair of housing is an economic or labour issue rather than the perspective of addressing the need for housing and that housing is a right.

I do not know if any of you know this, but Canada is a signatory to the International Covenant on Economic, Cultural and Social Rights. This is a covenant developed by the United Nations that we signed in 1979. We agreed, not to the people who live in Canada but to the other countries in the world who signed this covenant—"we" being Canada that signed the covenant, but each of the provinces and the territories agreed to this covenant before it was signed—that housing was a basic human right. This covenant goes beyond the basic political rights and freedoms that we are accustomed to thinking of as human rights and says that housing, health care and food are basic human rights that people cannot exist without.

So Canada has at least obligated itself in the international arena to provide housing for our people, and I think that is the perspective that you have to take when you look at Bill 4, that what we are doing is ensuring that people have access to housing, housing at a price that they can afford. Rent controls are a measure to ensure that people's housing rights are met. Rent controls are not a policy to ensure business rights or even labour rights, as seems to be much of the focus around this bill.

This government must address housing need and ensure that all people who live in Ontario have access to housing in the same way that we ensure that people have adequate access to health care and education. Housing is a basic human need, not unlike health care or education. There is a place in the private sector for the provision of health care and education, but in those two realms we have a highly regulated system which recognizes that regulations are necessary to ensure that people receive adequate and quality services.

This committee must not let the organized landlord interests in the province use threats and scare tactics to attack the integrity of Bill 4, in the same way that the previous government would not let doctors undermine the right to health care. You would not think of letting teachers demand that education standards be reduced so that teaching is more profitable.

We believe that the rent control system established by Bill 4 sets rules which govern the way landlords can deliver housing. When the ground rules are set, the landlords can decide if this regulated market is an area in which they wish to participate, just the same way as

doctors and teachers decide whether they wish to doctor and teach in Ontario.

We are not going to go into the details of Bill 4. We could recommend improvements, we could get into sort of clause-by-clause scrutiny of Bill 4, but we are quite happy to participate in a process that passes Bill 4 as interim legislation and we do offer our expertise and the people we represent to participate in further discussion of more permanent legislation, which we understand it is the intent of the minister to come forward with after Bill 4 is passed as an interim measure.

I would like to speak to some of the experience that we have seen with the Residential Rent Regulation Act. That act and the rent review legislation previous to it have done something to warp the rents and the costs and the valuation, the value that we give to apartment buildings. It is quite conceivable—and in fact there were a couple of landlords who made a charter challenge on the basis that you could have two buildings side by side that are very much the same, built the same year, have the same number of apartments, the same amenities, and the rents are grossly different.

The reason for the difference in those rents is that one building had three or four or five landlords over a series of years who went to rent review and, based on their new mortgage costs, got applications and awards for financial loss and the other building was just owned by one landlord throughout. The usual case is that the building that was owned by one landlord throughout in fact has had better maintenance. You would think that would be a reason for the higher rents, but the one that has had these flips of different landlords one after the other has got the higher rents instead.

Tenants who have been experiencing this see absolutely no sense in why their rent should go up because some new landlord came in, bought the building and put a new mortgage on the building. They see sense in rents going up, in rents that match in some way the amenities that they have, the quality of the housing that they live in, but not rents that reflect the financial considerations of the landlord.

So what we have across the province now is a real variety of rents. For every example of rents that are extremely low for nice housing, you can find rents that are extremely high for really substandard housing, and it has been this warp that I think we have to get away from. I think that warp has been reinforced by the RRRRA, which has encouraged large rent increases on two fronts: One is financial and economic losses and the other is capital expenditures without any consideration as to whether the capital expenditure is appropriate or necessary.

I would like to ask this question: Why, in a housing unit that does not get any better—and in fact the situation is that housing deteriorates over time, and you would say it gets worse—could you ever defend an increase greater than inflation? Why should a unit that was built in 1956 at a certain proportion of the average annual income be any greater proportion today when in fact the unit has deteriorated and gotten worse? How can 10% and 20% and 30% rent increases ever be defended unless new

amenities, improvements over and above what came with the building in the first place, came out?

I have a hard time accepting that and I see that over time more and more increases greater than inflation can only contribute to a general inflation in rental housing so that generally average rental housing prices become more and more a portion of average people's incomes. We tell people today, "You have to pay more for housing, a higher proportion of your income for housing, than you had to 10 or 20 years ago." No wonder people cannot afford to buy houses and no wonder people are lined up at food banks like we have never seen before, at least in my lifetime.

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We would like to speak to the long term. We would like to address today what we would like to see you look at, you as a legislative body or representative of a legislative body, and the Ministry of Housing look at in long-term legislation. We, as well as the previous speakers, support the introduction of capital replacement reserves in private rental housing. We see this as a sensible way of ensuring that long-term costs are planned for in a building, that costs are spread over the lifetime of the building and that landlords who sell a building do not take with them the money that should have been put back into the building in the form of capital expenditures.

The residential complex cost index, RCCI, the annual guideline, has in it 1% every year that is supposed to be attributed to capital expenditures, but that money stays with the landlord and, when the landlord sells the building and goes away and has not spent that money on capital improvements, then the money has to come again from the tenants to pay over again. We would like to see reserves that are attached to the building, not to the landlord.

In the long term, we also support a system which gives a role to tenants in the consideration of expenditures that relate to their homes. We find it utterly ridiculous that people live in places—the woman who was sitting here earlier today said that she had lived at 11 Shallmar since 1972. She has a long-term interest. That is her home. She has a longer-term interest than the current landlord of the building or the previous landlord of the building. There has to be a way for tenants to feel that in their homes they have some access to some control over how their money is spent, where the priorities are.

But we have to be very careful in looking at that because we do not want to create a system where tenants merely vote on whether they want an expenditure or not, which gives an incentive to landlords to only rent to people who have high incomes and are going to vote for those expenditures. We do not want to create a system where low-income people who are moving in, just able to afford the rent, are going to be discriminated against because they will not vote for a rent increase.

I think we have to tread very carefully around the idea of tenant participation, but I think certainly there is a role for tenants to play at least in prioritizing capital expenditures, in saying: "Fix the parking garage before you bring in an interior decorator to decide what colours the lobby should be because that lobby is not a priority for us. As

long as you keep it vacuumed and we do not slip on it in the winter, it is fine."

In the long term we support a system which relates problems of disrepair and substandard housing to the rents. Tenants, particularly those with less negotiating power—we find that women with children, people of visible minorities and people with low incomes or on public assistance are often in a situation where they are paying too much rent and that they have had to move into the place they are moving into, which often is something like a basement apartment that is leaky and damp and cold, but because there is little negotiating power they have been forced to take that housing.

We hope that in the long term the legislation will address not only rent increases, not take the rent that is sitting there now as a given, but also rents that people are paying that are far too high, the kind of things you see like basement apartments at \$900 and \$1,000 a month where the heat is not up and there is mould and the children are sick. More often than not, it is an illegal basement apartment, meaning it is contrary to zoning provisions, so you cannot advise tenants to go and complain to the housing authority or to the local bylaw authorities because the first thing that will happen is they will get an order to get out because they are living there illegally.

The Chair: You have about two minutes left.

Ms Robinson: Okay. We want to urge this committee to pass Bill 4 without delay. We hope that we can participate soon in the development of rent control legislation which will protect tenants, protect Ontario's rental housing stock and set the ground rules for landlords who wish to participate in the market by providing rental housing at a fair cost.

I would like to take two more minutes to introduce myself in another context, and that is that I was one of the tenant representatives on the Rent Review Advisory Committee that advised former Housing minister Alvin Curling on the previous legislation, the Residential Rent Regulation Act. I want to say that that was seen by us as a very generous package to landlords.

It was generous for a couple of reasons. From the tenants' perspective, it was generous because it was part of a package which included a commitment for the Rental Housing Protection Act, which included a commitment for more non-profit housing and a commitment to include rooming- and boarding-house tenants in rent regulation.

But the commitment that was made to us by the previous government was that from its perspective the legislation was generous to landlords in order to get landlords back into the business of providing housing. The plan that was made at the time was that we would look at it again after three years. If after three years this generous legislation—and the guideline was considered generous, not just the legislation which allowed increases over and above the guideline—if after three years in fact it had not done what it was supposed to do, which was bring the landlords back into building more rental housing, then the government would have to re-examine the strategy of using rent control legislation as a lure for landlords.

The Chair: I would like to thank the presenter. We will start with our rotation. I believe the PCs are first and then the government members and then the Liberals; seven minutes.

Mr Tilson: Thank you for coming and expressing your thoughts on Bill 4. You have made quite clear your support for Bill 4. From the owner of the building's point of view, the landlord's point of view, do you believe that a land owner or a landlord should be entitled to a profit?

Ms Robinson: I do not think that profits should be disallowed or ruled out. Certainly profit is the reason landlords are in the business.

Mr Tilson: So you agree that they should be allowed a profit.

Ms Robinson: It depends at what expense. I do not think profit should be ruled out.

Mr Tilson: I am just asking you a simple question. Should they be allowed a profit?

Ms Robinson: In some circumstances, yes.

Mr Tilson: In what circumstances should they not be allowed a profit?

Ms Robinson: In circumstances where they have stretched their financing so far that the profit has to come out of rent increases that are over and above what the tenants can afford to pay, for instance.

Mr Tilson: I guess the difficulty I have in listening to your comments is how do we ensure—I think our party's particular point of view is one of fairness. There are horror stories coming out continually in the last number of years. The past legislation did not work. Our belief is that this is perpetuating the problem. I suppose that one looks at the issue of poverty, the great poverty—you have described people living in cars, for heaven's sakes. That is terrible. A woman was here yesterday talking about literally the creation of a slum, and the slums are starting in this province. I guess the question that I have for you is, how is Bill 4 going to stop that?

Ms Robinson: If Bill 4 had been in existence at the time the woman I described who was living in the car was evicted for non-payment of rent, she would not have had such a big rent increase. She would not have had such a big retroactive bill to pay and she would not have been evicted. When you look at homeless people, you have to realize that most people, and hopefully not too many, are born homeless. They had homes at some time and lost them for some reason and often those reasons are increases in rent. Bill 4 will stabilize housing for people who have it now.

Mr Tilson: You talk about the rate of inflation. There is no question that there are examples of incidents where increases of rent have been substantial and far over the rate of inflation. The government has projected that the rate of inflation in the coming year will be slightly over 6%. The rates that have been allowed by Bill 4 do not match that. Is that fair?

Ms Robinson: Next year's guideline is projected at 5.4% and what Bill 4 in conjunction with the RRRRA does

is take the inflation rate over three years so that sharp highs and sharp lows are rounded out a bit more.

Mr Tilson: Bill 4 does not say that. Bill 4 sets forth specific increases for this year and next year which will not match the rate of inflation. That is from the government's own figures. I am simply asking, is that fair?

Ms Robinson: Can you tell me what section of Bill 4 that is.

Mr Tilson: Bill 4 talks about an increase of—what?—4.8% this year and 5.4% next year.

Ms Robinson: Bill 4 is an amendment act. It is an act to amend the Residential Rent Regulation Act—

Mr Tilson: That is right.

Ms Robinson: —and that act sets up the residential complex cost index which does set rent increases. It applies an inflationary rate to operating costs and then adds 2% over and above that.

Mr Tilson: It allows certain increases for maintenance, but it certainly does not allow for other things. The rates of increases are quite specific and quite clear as to what they allow and they do not allow for the rate of inflation.

Ms Robinson: I differ with you. I think that if you look at it closely, you will find that not only do they allow for inflation, but Bill 4 specifically allows for extraordinary operating costs in cases where inflation has hit items such as taxes, insurance, heat, etc.

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Mr Tilson: Yes, but that is not the total cost of inflation, as you know. Yes, it does allow for certain increases in taxes and increases—it is quite specific, although it does not allow the increases that the previous legislation had.

Dealing more specifically, how will Bill 4 improve the quality of life of the tenants, knowing full well that it would be folly for landlords to get into making major capital expenditures, such as the repair of roofs and new roofs and parking garages, which are the major increases. They are not allowed for. Landlords, it has been quite clear from the communications that this committee is receiving, will simply not have the money to make those capital expenditures. I guess my question to you is, acknowledging that, how will Bill 4 improve the quality of life for the tenants when in fact it will go the other way?

Ms Robinson: Bill 4 is interim legislation. Bill 4 will improve the quality of life for tenants because it will disallow landlords from making applications to cause rent increases tenants cannot afford.

Mr Tilson: The government has called it interim legislation, but we do not know for how long. Now I guess that you are supporting Bill 4 and at the outset that seems—again, our concern is for the economic wellbeing of Ontario, the concern of job losses, the concern of fairness, the concern of all the issues with respect to the economic wellbeing of this province. Yes, there are individual incidents of landlords who have taken advantage of the situation, but the bulk of the landlords have not done that, and you know that. The bulk of them have not done that.

Ms Robinson: That is right.

Mr Tilson: I guess the question is, is that fair to the landlord community?

Ms Robinson: I think it is fair. It says to them, "You are providing housing, which is a basic human right, and so we have to regulate the world in which you operate, the business in which you operate, and here are the rules."

Mr Tilson: But you have acknowledged that the bulk of the landlords have not done the things that you are doing.

Ms Robinson: So it should not affect them anyway.

Mr Tilson: But it does and you know it does.

Ms Robinson: How?

Mr Tilson: How it does? Because, for example, they are not going to be allowed to make capital expenditures because they simply will not have the money for it.

Ms Robinson: But you are speaking to the landlords who do not apply to rent review.

Mr Tilson: That is exactly what I am talking about.

The Vice-Chair: Mr Tilson, thank you. Your time has expired.

Mr Duignan: Thank you very much for coming along and making an excellent presentation to the committee this morning. I just have a couple of questions, a couple of areas I would like to explore.

The third party talked about fairness to landlords. I am wondering about fairness to tenants. We look at figures supplied to us by the ministry this morning, where fully 82% of the rent increases were greater than 4.9%. Do you believe that is fair?

Ms Robinson: Of course I do not believe it is fair. I would like to have access to that material as well. I have not seen it myself.

Mr Duignan: I want to explore the whole area of a maintenance reserve or capital replacement reserve and what form that should take. You made a suggestion this morning that the 1%, or whatever the figure is, should apply to that building, and should stay with that building for that particular capital reserve and should not move if the owner of the building sells it. It should not move with the owner but stay with that building. Would you like to see some sort of system put in place to deal with that?

Ms Robinson: I would like to see it developed. I know that you can get experience from CMHC. In fact they require that the co-operatives and the non-profit housing projects use a replacement reserve fund. So what we see in non-profit housing is that the year the roof has to be replaced there is money in a reserve to pay for the roof replacement, or if it does not completely cover the costs, money is borrowed, but the whole cost is not whacked on to one rent increase that year to those tenants who happen to be there the year the roof got replaced.

I think it is much more sensible and I know that the RCCI formula provides for a portion of the rent to go towards capital costs every year. But our problem is that in some cases that money is going to capital costs and those are the landlords who are not applying to rent review, but

in many cases the money just is not going where it is supposed to go.

Mr Duignan: As you know, when co-operatives and non-profits are formed and built they are required to have a capital placement reserve. You would like, again, to see something like that for the private landlords established.

Ms Robinson: It would make a lot of sense. I worked for a year or two on a proposal to convert private sector rental buildings to co-operative buildings and that program started a year ago. That program has instituted replacement reserves for existing housing that already has existing problems that have to be addressed immediately. You might want to take a look at how that program has actually worked out, how those replacement reserves have worked in buildings that have been converted partway through their lifetime.

Ms Harrington: This is only our second day of hearings and I think it is becoming clear what has been happening in this province. Pass-throughs have created a dislocation in the market system an unfairness and using of the system. As you just mentioned, money is being diverted from where it was hopefully going to go. It is not being utilized the way the government had envisaged when the RRRA started. They had hoped, I believe in all good faith, that the system would work.

This unfair system, I think, clearly is progressively getting worse and that is why, as a new government, we had to put this breathing space in to look at the whole future of legislation in this area. I wanted to ask you about a very interesting comment you have in your brief which I had not thought of in this way before. What you mentioned is that according to the United Nations, housing is a right. If we really take that seriously, what it leads to is these thoughts that you have put down, that it should be as important, you are saying, as health care or the teaching profession. Of course, going back many years, even teaching, was a private enterprise and was subject to the whims of making profits.

If housing is really a right, then we have to look at it in that context and say that those people involved in it should be, let's say, professional landlords with a degree and know how to manage it and therefore earn a good living at that type of business.

Anyway, I had not thought of it like that before and I think the way you put it is interesting and it is worth considering how important really is housing as a right. Thank you very much. I just wondered if you had anything else to say on that particular aspect.

Ms Robinson: No, thank you.

Mr Mammoliti: Mr Tilson asked you earlier whether landlords should make a profit. I would like to ask you whether landlords should make a profit if they abandon their responsibility as a landlord?

Ms Robinson: I think we have to look at what happens when landlords abandon their responsibilities as landlords and start wondering whether anybody has the right to come along and be somebody else's landlord, whether anybody who has the money or the down payment or the ability to acquire a building has a right to then be the

landlord and not provide maintenance, not provide capital expenses or not within the realm of this legislation. We look at outright abuses of tenants by landlords.

I think we have to look at some kind of licensing or accreditation that says you can be a landlord, but if you are not responsible, if you either are not responsible in meeting the obligations you have or if you are abusive to tenants, then you lose that right to be this person's landlord, that ability to have the keys to their apartment, that ability to make crucial decisions about the housing they live in.

Ms Poole: Thank you, Ms Robinson, for your presentation today. I would just like to start by saying that when you quote the United Nations convention covenant as saying that adequate housing is a basic human right, I do not believe there is any member of this committee, nor should there be, who does not agree with that. I think where we probably do not quite see eye to eye is on how this is to be achieved. Some of us on the committee believe in free enterprise, but that when people need assistance and need help, it is the job of government to provide that, not the job of the free enterprise market, that there is this partnership that exists in one form or the other.

1120

You served as a member of the landlord-tenant group that actually made recommendations which ended up as the RRRA. That act had improvements for tenants in some areas and then areas in which landlords felt they had improved their lot. Tenants achieved things such as virtually all rental units in the province were brought under rent control, and things such as the 1% penalty to any landlord who went to rent review to make up for the fact that he got this as part of the guideline amount. There were a number of other areas of protection for tenants.

In that process you had an opportunity to work with the private sector and you signed the agreement, so I assume that there was a certain degree of co-operation. The question I have for you is, do you think there is a place for private enterprise in the housing market today?

Ms Robinson: I think we cannot get away from the fact that there is a place. The vast majority of the rental housing is owned by the private sector and I do not think this government has either the political backing or the funds to go in and buy them out, so we have to take as a given that the private sector owns the buildings. But I think, to just extend an analogy, that you said you support private enterprise with a role for government to support individuals and I would like to make an analogy with the health care system.

When your party was the government it basically said to the doctors: "There's a role for you. You can make so much money. You can make a profit, but you can't charge over and above this," and the public purse was paying the cost. A housing subsidy system without rent controls would just get too expensive for a government to afford. If you said, "We're going to pay rent supplements to people who can't afford their rent, but on the other hand, we're not going to control the rents," then you would just be writing a blank cheque to the landlords every month. We

can support rent supplements but only in a system where that is not taken advantage of, where it is not an unending opportunity for rent increases.

Ms Poole: Quite frankly, I have a great deal of difficulty comparing health care and education, which are 100% government subsidized and government paid for, with housing where that is not the case. What you are doing is saying on the one hand, "Yes, we want the landlords of this province to have a role because we don't see any way around it, but we're going to put restrictions on you so that you cannot function."

My fear is that if we tighten the restrictions to such an extent that landlords cannot operate, they will not maintain their buildings, even to a minimum standard and that there will be no capital improvements made to the buildings. Whether or not the law allows it, they will walk away from their buildings and that is the economic reality. If an individual is losing money, he will not continue to sustain those losses.

I would put to you that if this scenario occurs, it will be the tenants who will be the long-time losers. I am very much uncomfortable with having a measure that brings short-term gain and long-term pain for tenants. I am very much afraid if we take a one-sided approach to say: "Capital improvements don't matter. Corroded underground garages don't matter. None of this matters. We'll let the landlord pay."

I have no problem with curing the abuse. I support you 100% in the examples you have shown, but I have a real problem in saying, right across the board, "We will punish all landlords and make it so restrictive that they will not be able to operate."

Ms Robinson: If I could respond to that, I have been coming to committee hearings on rent review legislation through three different political parties and three different governments, and every time we come we hear the same thing from the landlords: "This rent review legislation is the rent review legislation that's going to make us walk away from our buildings. This is the legislation that's going to make us stop doing maintenance." They are threats and I hope this committee is not going to feel blackmailed into giving the tenants' money to the landlords so that the landlords will not follow through with their threats to walk away.

I would urge you as well to take a look at the example of the province of British Columbia where rent controls were wiped out entirely in 1983. The private market did not do what the economists dictate would happen. In Vancouver today we see the same housing situation as in Toronto today—shortages, high vacancy rates, high rents—and we do not see the construction of rental housing in the private sector. Construction has gone down considerably. It is less than 30% of what it was in 1983, when rent controls were removed in order to encourage construction. So I think you have to take a very hard look at what the threats are and what the realities are.

Ms Poole: I have one final very quick point. Mr Duignan, in his comments, had quoted a statistic which I think inadvertently was not correct. He had stated that in 82% of

the units, rent increases were over 4.6%, but it is in fact the opposite, that in 82% of the units the rent increases were 4.6% or below, so it is a fairly significant statistic.

The Chair: Can we get clarification from the ministry? Are there ministry staff here who could please give us clarification on that point? What is the exact figure and what does it mean, please?

Ms Richardson: Approximately 17% of the rental units in the province come to rent review in any particular year for above-guideline increase. For the ones that do not come to rent review, they may be subject to the guideline, they may be experiencing no rent increase at all, they may be subject to a phase-in from a previous rent review order or indeed, there may be some illegal rent increases. So the 17% do come to rent review for an above-guideline increase in a particular year, according to our statistics.

The Chair: Do you have a supplementary question on that point, Mr Duignan? I know we are diverting from our regular rules, but these statistics are important.

Mr Duignan: I am just reading from the stats here. In fact, it is more than that. I was only talking in the range of 5% to 15%. It says units with increase in maximum rent, 5% to 10% and 10% to 14%.

Ms Richardson: Those particular statistics relate to the rent review orders, so those are the 17% of rental units that do come to rent review and they relate only to those particular—

The Chair: I can capsule this for our listeners and our viewers. This is very important information for them. Out of the 100% of units in the province, less than 20%, give or take a point or two, actually go to the system for greater than the increase allowed by the government in any particular year.

Ms Richardson: Those are our statistics, yes.

The Chair: So the almost 80% that do not go, we are assuming that they are either under a previous order or they are going by the guidelines. What was the third point you mentioned?

Ms Poole: No rent increase.

The Chair: Are there any other supplementary questions on this point by anyone? Thank you. Our time has expired. I appreciate your presentation and, as you said, you have been to many committee hearings before and we are glad you decided to come back.

We are approximately 10 minutes behind schedule. Considering our workload, that is not bad.

FLEMINGDON COMMUNITY LEGAL SERVICES

The Chair: The Flemingdon Community Legal Services is the next presenter. Make yourselves comfortable. Please identify yourselves for the record. Please state your names and your organization and the positions that you may or may not hold within that organization. The schedule shows that we have set aside 40 minutes for your organization, which will allow you 20 minutes to make your presentation and you will be able to dialogue personally with the committee for another 20 minutes. The floor is yours.

Mr Physick: My name is Brook Physick. I am a community legal worker with Flemingdon Community Legal Services.

Mr Jefferies: I am Ron Jefferies. I am staff lawyer at Flemingdon Legal Services.

Mr Physick: And just coming up here is Freda Krol, who is a tenant association head in North York at 22 Elkhorn Drive.

We appreciate the opportunity to present a deputation to the standing committee on general government on the proposed moratorium bill, a bill which we fully endorse. We are pleased to see the government acting on its campaign promises in a way which is both, in our view, responsible and necessary. We hope that this consultation process will demonstrate clearly the need to expedite the implementation of this bill so that the government can continue the process of consultation on the much larger issue of the rent control system.

1130

Four years ago the previous government of this province passed a law that has proven to be, generally speaking, a very unjust piece of legislation, unjust because it works largely against the tenants who it was supposed to protect. The fact that this law has impacted so greatly on the lives of hundreds of thousands of tenants in this province since its inception is disturbing, particularly since the impact has been, more often than not, negative. This law, of course, is the Residential Rent Regulation Act, and while this legislation does have some redeeming value, the substantive part of this act dealing with whole-building reviews has little, if any, redeeming factors.

This is not a profound revelation. This has been known almost since the day the law came into existence. The Minister of Housing has countless submissions from tenants in which the frustrations with this legislation and, in particular, with the whole-building review provisions have been expressed. Time after time successive ministers of Housing have heard from tenants and tenant advocates about the gross injustices inherent in the Residential Rent Regulation Act, but apart from a rather dubious effort in April of last year to change the regulations relating to capital expenditures, not a great deal of substance has been accomplished or even attempted.

Tenants are constantly asking how is it that landlords can apply for rent increases of 15%, 25%, 40%, 60% and in the odd instance, nearly 200%, when there is seldom adequate maintenance being done in the common areas or the individual apartments themselves. The disturbing reality is that landlords are constantly being granted excessive rent increases when it is clear that their maintenance obligation is being neglected. Why? Because the Residential Rent Regulation Act not only allows for this kind of nonsense but encourages it and it continues to allow this abuse to happen year after year.

We have for too long had to contend with apartment buildings in which landlords have asked for excessive rent increases resulting from whole-building review applications for capital expenditures. Such applications demonstrated consistently one of the many absurd aspects

of the current rent review legislation: These applications appear to be based on little else but an opportunity to take advantage of a law which enables landlords to get large increases without having to do anything which has a direct positive impact on tenants. While little is done for the tenants directly, such capital improvements do enable the real estate asset to be appraised at a higher value, which makes the building much more attractive from an investment perspective. One becomes hard pressed to understand how this would in any way benefit the tenants, though we know that this has a distinct advantage for landlords, particularly in a hot housing market. Let us not forget that at no time is the value of the landlord's assets ever considered in a whole-building review application.

The problem becomes compounded for tenants when the tenants have to pay for massive capital expenditures in a building which then sometimes gets sold to a new landlord who then requests a further excessive increase from the tenants so they will then pay for his financing costs. While it is true that financing costs are phased in, tenants can be paying double the legislated maximum rents over several successive years simply as a result of a landlord's financing costs. What does the tenant get out of it? Nothing—no improved maintenance, often no maintenance at all and in fact frequently a deterioration in the condition of the building. Is it any wonder that tenants are disgusted with this legislation?

This disastrous law has had serious repercussions for tenants, particularly, though not exclusively, for those on lower, fixed incomes. As the population ages, unemployment increases and the recession persists, more and more of our tenants are going to be faced with the potential for economic eviction with few, if any, stable housing options available to them. Such abuses have led to the need for a massive overhaul, not only of the current Residential Rent Regulation Act but also the entire rent review system, thus the need for the moratorium bill recently proposed by our current government.

Any government which contemplates a major restructuring of its regulation of private sector activities must protect the interests of vulnerable parties who rely on the existing system. Otherwise those who can will engage in profit-taking at the expense of the vulnerable. It is for this reason that the proposed moratorium is necessary. Tenants are vulnerable. They are vulnerable when the government announces that the existing rent review system will be changed to a rent control system in two years' time. It is the two-year period that creates this vulnerability, not the proposition of rent control itself. People dislike uncertainty in the marketplace, let alone speculation and uncontrolled profit-taking. Uncertainty concerning the rent review system started the day the present government was elected with a majority. Dissatisfaction started the day the Residential Rent Regulation Act became law.

The stated position of the NDP with regard to the current rent review system was that it would implement a system of rent controls. With that prospect, many landlords undoubtedly decided to reap whatever benefits the existing system would give them. Knowing that it would take some

time to draft new legislation, this certainly was a window of opportunity for these landlords.

To prevent the flood of applications to rent review, to preserve the affordability of tenancies and to prevent a rash of unnecessary capital expenditures, the government had only one option after the election—that is, to announce its future intentions and to retroactively freeze applications for increases relating to capital expenditures and new financing. Not to do so would have been fatal to the housing policy it espoused.

With the expected rash of capital expenditures and refinancing, at the end of two years residential rents could be so high that very few could afford them and consequently the exercise of controlling these rents would be almost meaningless.

The moratorium also corrects one of the patent injustices in the present legislation. Letting rents rise exponentially by not implementing the cost-no-longer-borne provisions will no longer take place. It has been obvious for years that tenants should not have to continue to pay for capital expenditures that have been paid off. Tenants, as well, will no longer pay for endless cycles of refinancing by successive landlords.

With any proposed radical change in government regulation, it is the government's responsibility to attempt to stabilize the marketplace. A moratorium, as proposed, will do this with the minimum of harm. Some landlords in other segments of the economy may be adversely affected, but in balancing the interests of all concerned, it is our opinion that the route being followed is proper and necessary.

That constitutes our submission, and Freda was going to say a few words from her perspective as a tenant head in a building in North York.

Ms Krol: I am a tenant at 22 Elkhorn in North York. I moved in there almost five years ago and have received four applications. The first three applications amounted to 42%-plus. So far, the only order that has come down is for 11.6% for the first one, 1987, and that is under appeal by the landlord.

After three years, the landlord sold the building. It was all capital expenditures—marble lobbies, new carpeting. He built a new floor of 22 units and they are all luxury apartments. In the process he updated the whole building and we all got stuck for it, this most unfair, and then he sold the building, so we now have another application. I think that if everything goes through I will be paying about \$300 more, which I cannot afford. It is not just me, it is the whole building.

I would like to know where the fairness is in all of this and why tenants are being asked to pay for someone else's investment. If they cannot afford it in the first place, why go into it? That is all.

The Chair: Do you have anything to add?

Mr Jefferies: As a lawyer at a community legal clinic, we deal with this every day, and especially in East York it is a tremendous problem. I think that a lot of the horror stories we are hearing are from the city of Toronto,

Metropolitan Toronto. That is what our focus is at the clinic.

As far as our presence here today is concerned, I understand that we are talking about Bill 4 and whether or not there should be a moratorium. We did not come down to discuss whether or not rent controls are going to be implemented, although that is the way we lean. I think it is quite clear that a moratorium is necessary. If you look over our submission, I think the reasoning is sound and we will answer questions that you have with respect to that.

Ms M. Ward: Mrs Krol, I was interested in your comment about being asked to pay for someone else's investment and that they should not get into it in the first place. That more or less mirrors the way I have always felt about this passing on of financing costs. Essentially, with what the tenants are being asked to pay for that, the tenants should have an equity in that building. There was much discussion earlier, a previous presenter being asked whether or not he believed a landlord should be allowed to make a profit, and there was discussion about the private sector owning buildings and so on. I think that is basically what you were saying also. Maybe you could expand on it. If you are paying the financing costs, if they are passed on to you, essentially you morally have an equity in that building. Would you agree with that? Do you have anything further you would like to say?

1140

Ms Krol: All the tenants and myself can feel is the extra burden. The building is 30 years old. The carpeting had not been changed in 30 years, the individual apartments had not been maintained in 30 years, and suddenly, because he wanted rent from luxury apartments, all of that was improved. The rental office got new furniture, new walls, new floors. None of this would have happened had he not been looking at a further investment.

It would have benefited us had he maintained it in the first place. It is very nice to live in a place with marble floors, but it is quite unnecessary. I agree that anyone who goes into business is entitled to a profit, but not to the point where it is exploiting others, and we are being held hostage. I do not think that is correct.

Ms M. Ward: You are saying that the capital expenditures to turn it into a more luxurious place were really made for the purpose of increasing the sale price of it.

Ms Krol: That is right.

Ms M. Ward: And the subsequent landlord, who paid more, had to pay more for it because it had been made more luxurious, then was able to pass those financing costs on to you.

Ms Krol: That is right.

Ms M. Ward: And you are essentially then paying the mortgage of the apartment building.

Ms Krol: That is correct.

Mr Jefferies: If I could just add to that, not only is the tenant paying the mortgage of the landlord, but when that mortgage is paid off, the rents do not go down, they stay up, and the same with capital expenditures. When they are paid off, the rents do not go down. Why?

Ms M. Ward: That is something that has been often pointed out to me. I am perfectly aware of it, but when I meet with tenants they say: "We don't mind paying for this, but why do we have to pay for it for ever? If we need improvements, okay, we'll be reasonable and pay for them, but that cost isn't going to disappear and the next increase will be on top of that and build up and never be taken off."

I enjoyed your presentation and thank you.

Ms Harrington: I would like to ask Mrs Krol what her rent actually is at this time and what it was a few years ago.

Ms Krol: As I say, the ministry has not come down with orders yet on number 3. The first one was for 14% and they were allowed 11.6%. I went to rent review. They appealed it, and I went to the appeal hearings. Of course the response I got was, "You now have the advantage of these marble floors" that were placed in the direct area where the new apartments were built. I did not need those marble floors.

When I moved in there five years ago, I was paying \$450. At the moment I am paying \$620. Were I paying everything that they have applied for, I would be at \$750. With the last one, because of our new landlord who asked for 10.5%, it will be about \$800. It is a one-bedroom apartment.

Ms Harrington: I wanted to comment to Mr Physick that you gave a very wonderful presentation on justifying the moratorium, or Bill 4. I really think you should be in the House giving this kind of presentation. I wish we had someone to do this in the House.

Ms Poole: Thank you for coming before us today. One area which really concerns me is the state of our aging housing stock. You, as tenant advocates and as tenants, I suspect, can feel quite strongly on the issue as well. How do you propose we deal with it—with the capital provisions, with the fact that we do have roofs that need replacing, and windows and underground parking garages? Because we not only have to deal with it in the interim legislation, in what to do, but we also have to deal with it on a long-term basis. Do you have any suggestions as to how you see these should be taken care of? I do not think we deny it has to be done. What we are talking about is how we pay for it. What would you suggest?

Mr Physick: Before Ron pipes in here, if I could just make a statement to that, one of the areas that we service is East York and you are probably quite aware that East York has quite old housing stock. It has been a problem. The way we have chosen to try to address this, because it is abundantly clear to us that the landlords are not addressing it themselves, is to try to convince the local municipal council that it needs to beef up its property standards inspections department, not just to react to problems of maintenance deterioration, but rather to try to prevent it from happening in the future by ensuring that landlords will do general maintenance as required and as they are obligated to do under the Landlord and Tenant Act.

We do not find that a lot of the capital expenditure items that we see being spent, even in those buildings that are 25 and 30 and 35 years old, are necessarily first and

foremost in the minds of the landlords, that is, they would not necessarily have done them unless there was an advantage to them to do them. So the question is whether or not those kinds of massive expenditures are necessary to begin with. Our view is that if we can convince our local council to hire enough people to ensure that there are on-spot inspections, periodic inspections on a preventive basis—and North York has been attempting to do this—then at least we may be able to solve part of that problem.

The other aspect with respect to capital expenditures—and I think Ron mentioned earlier that we are not here to provide an extensive proposition vis-à-vis rent controls, but this is, in our understanding, an interim piece of legislation and we felt that, given the current situation, it is necessary. Whether or not the capital expenditure problem will continue in the future is unclear. One of the areas that we have looked at, of course, is the issue of the capital fund, the trust. The federation has presented that proposition. Condominiums have this, other organizations have it. I am not quite sure how that would be done, quite frankly, but it is an area that I think does need to be looked at. Obviously, we cannot let old housing stock deteriorate entirely. It just cannot be done.

Ms Poole: Surely your comments about the day-to-day maintenance are quite valid as far as increasing the municipal surveillance and ensuring that the standards are met. I can certainly appreciate that point of view, but I also know that no matter how good the maintenance, even if you have the most superb landlord on God's earth, even if the landlord is a co-operative where the tenants themselves are their own landlords, there are items that do have to be replaced and they are very expensive.

When one of our members talked earlier—and I use "our" meaning committee, not party—and asked the question about underground parking garages and said, "Had the landlord taken proper maintenance?" I can tell you, anybody familiar with the problem knows that it is massive, it is right across the major urban cities.

It has to do with the fact that the municipalities have used salt on the roads; that the corrosion, the coldness of the winter and the heat of the building all react, and the buildings will fall down if the work is not done. It has nothing to do with maintenance; it has to do with the effects of the weather, the salt and all these things. It has not got to do with what the landlord is using on his driveway; it has to do with the fact that cars drive through all these conditions. So if you have to have that underground parking garage retrofitted and repaired, I think that is something that you and I would probably agree is necessary.

Mr Jefferies: If I could—

Ms Poole: Just one sentence and then I would like hear your response. My question is, how do we deal with the things that you and I would agree 100% are necessary and are not caused by neglect? How do you see that fitting in?

1150

Mr Jefferies: I think the analogy has to be made to the normal home owner. What does a home owner do when the basement, after 60 years, begins to rot out? Has

that home owner saved, put away money over the years as a contingency fund for that, or has the home owner not done that and has to go to the bank and borrow that money and pay it off bit by bit in the future?

I think if you think of these apartment buildings as homes with the owner being the landlord and figure out what you would do in that situation, you would see that over time the situation would rectify itself inasmuch as there would be contingency plans for these types of situations. The fact that there are not any contingency plans for most landlords now is probably a reflection on how the system has been set up to pamper these landlords into getting whatever they want immediately.

Ms Poole: You mentioned the reserve fund but you also mentioned that you were not familiar with a lot of the terms of the condominium reserve fund. Certainly my understanding from talking to experts in the area is that it is virtually unknown for these reserve funds not to have special assessments time after time after time. In other words, the amount in the fund, even though it is really substantial, is usually not enough when they have a major occurrence.

Do you see a reserve fund as being funded solely by a landlord, where the landlord is the only one who would put in money, or do you see this as a shared responsibility, where the tenants would put in a certain percentage and the landlords would be responsible for a certain percentage? You probably have three seconds to answer that, I think.

Mr Jefferies: I think that any money the landlord gets comes from the tenants in any event. Whether they take it out of the rent or you have tenants put it in by themselves, I think that it is all tenants' money in any event.

Ms Poole: To be more specific, should it come through rent increases to the tenants plus the landlord, or all landlord?

Mr Jefferies: I am not sure right now.

Mr Tilson: Continuing on with that, just so I am clear as to what your position is, because obviously you are getting into areas that are perhaps beyond Bill 4, which we appreciate, are you saying to us—a question to any of you—that the tenants should not be responsible for contributing to any of the renovations of an apartment building?

Mr Physick: I think the assumption is that the tenants do, and they do that by providing a certain percentage towards that in their rent.

Mr Tilson: I did not ask you whether they do. I asked whether they should. If we are contemplating legislation in the future, should tenants be obliged to contribute or should they not be obliged to contribute towards renovations of an apartment building?

Ms Krol: Mr Tilson, what happens when the tenant leaves a building or the landlord the following year sells the building and the new landlord decides to improve something else? When a landlord sells the building, is he then going to give part of his equity back to the tenants?

Mr Tilson: I am trying to clarify your statement when you said that applications were made to rent review with respect to renovations that were done to the building that

you did not approve of. I am trying to clarify specifically your statement. My question is specifically to you because of your statement. Should tenants be obliged to contribute to any renovations whatsoever?

Ms Krol: In the matter of the extraordinary renovations that were done in my particular building, a new floor being built on with luxury apartments that were being charged twice as much as we are being charged, I think that the people moving in are being charged in their rent for those renovations, for the marble floor and the new hallways and everything else. If their rent is \$1,500 and they are paying that \$1,500, it seems to me that the renovations are being paid for in that rent.

No. I am not getting any benefit out of it.

Mr Tilson: I am not trying to ask you a trick question, I am just trying to ask you philosophically, should the tenants contribute in any way whatsoever towards renovations contemplated by a landlord? Either yes or no.

Ms Krol: It really depends on what kind of renovations you are talking about. If my fridge is no longer ever going to work again but it has been there for 25 years and he has allocated certain moneys towards that type of appliance, then why should I be paying for it? I have been paying it in my rent all that time.

Mr Tilson: Let me rephrase my question: If a landlord came to a tenant such as yourself or the tenants of the building, presumably by vote—I am just trying to create something; I am trying to find out where you stand—and the tenants all agree that certain renovations should be made to a building—let's say the refrigerators are all falling apart so they are not working, or the roof is leaking or the garage needs repair work and the tenants all agree to that. They all agree to those specific renovations. Who should pay for them? Should the landlord pay for them all?

Ms Krol: We are already paying for it.

Mr Tilson: I am not asking the present, I am trying to contemplate future legislation. Philosophically, should the tenants pay for them or contribute towards paying for them?

Ms Krol: But we are.

Mr Tilson: Okay. Do you agree with that?

Ms Krol: But it is in our rents. Every time they raise it there are the extra moneys that go towards the reserve fund to pay for the extraordinary expenses.

Mr Tilson: Do you agree that new renovations should be paid for by the tenants or contributed to by the tenants?

Ms Krol: We are contributing. We are giving our money to the landlord in our rent.

Mr Tilson: So you agree with that.

Ms Krol: I want to know what actually happened years ago when a garage needed redoing. I have been renting almost all of my life, but for 12 years before I moved into this apartment, I was living in a town house. I was not paying rent. I had never had increases like that before. Maintenance was always looked after. This was before rent review.

Mr Tilson: I will tell you why I am asking my question. It is a response to your statement that certain renovations were done to your building which you did not approve of. Do I assume therefore that if you had approved of them, you would have no problem with those renovations?

Ms Krol: I see. That is a different way of asking that. Yes, if I wanted new carpeting, I would not mind paying extra rent for the period of time that the carpeting was paid off. That would be for that particular thing. Not for ever, however, because once it was paid off, I would expect my rent to be brought back to what it was before that.

Mr Tilson: Okay, so you would agree to the fact that for necessary renovations, in the interpretation of the tenants as a group, you would agree that your rent should be increased.

Ms Krol: For a certain reason and for a certain period.

Mr Tilson: What would be the period?

Ms Krol: The period would be until it was paid off.

Mr Tilson: And then presumably if more renovations were required, say, in five years' time, you would concur with those.

Ms Krol: Maybe yes or maybe no, but if we had agreed that we do not want any further renovations for the next two years, I would expect my rent to revert to what it was.

Mr Tilson: So I guess the question is, how are we as legislators going to encourage landlords to make renovations to their buildings, to make capital expenditures that would improve the quality of your life or at least maintain the quality of your life?

Ms Krol: Maintaining is another thing. Yes, if they maintained things—I am not talking about—

Mr Tilson: But how are we going to do that?

Ms Krol: But the money is already there in our rent to maintain them. When I tell them that I need a new washer and that particular invoice goes in to rent review for a 20-cent washer—

Mr Tilson: What rent do you pay now?

Ms Krol: I pay \$650.

Mr Tilson: All right, \$650, and let's say the building needs a new roof.

Ms Krol: The building just had a new roof.

Mr Tilson: All right. Let's say—we are creating a hypothetical situation—the building needs something, a new parking garage. Where is the landlord going to get the money?

Ms Krol: You see, I am not sure why it was not there in the first, second and third place.

Mr Tilson: But it is not there. So where is the landlord going to get the money?

Ms Krol: He is going to the bank obviously.

Mr Tilson: But the bank will say, "You don't have the revenue coming in to pay for that increased mortgage or that increased loan that you are going to get." Where is the landlord going to get the money, from the sky?

Ms Krol: The revenue is there.

Mr Tilson: Where is the revenue? Where is it?

Mr Jefferies: I think this landlord is a bad businessman.

Ms Krol: Thank you.

Mr Tilson: Let's try you, Mr Jefferies.

Mr Jefferies: Certainly.

Mr Tilson: We will pick on you for a minute. You are a lawyer and you have obviously studied this legislation and you have studied other legislation. What legislation could be implemented by this government, or any government, which would encourage the construction of new housing stock in this province?

Mr Jefferies: I would love to answer that question but, to be perfectly honest, I did not come to discuss that today.

Mr Tilson: I am asking your assistance because you are advising us on what the landlords should not be doing and what we should not be doing. What should we be doing to improve the housing stock in this province? If you start listening to all the examples that you are giving, why should landlords even be in the business of maintaining buildings? They are not going to have a profit; they are not going to be allowed to improve their place because they will not have the money to do it; the banks will not give them loans. So how are we going to encourage landlords to do all the things that you want to maintain the quality of life that your tenants have, and more important, how are we going to create new housing stock for all of the new people who are coming into our cities?

Mr Jefferies: First of all, I think we need a new generation of landlords who are not going to rely on the government to give them everything they want and to have their profits guaranteed by the government. In what other business is the profit guaranteed? That produces lazy landlords and lazy businessmen. Now, we are going to have a transition period. Whatever the new legislation is, this legislation is going to encourage good management, good business practices and financial management. There could be a period of 10 years where there is a turnover in the type of landlord that we have now.

I do not have the answers to all those questions. I know that we have a lazy system now, and any system that guarantees profits to businessmen produces bad decision-making.

Mr Tilson: Over the next 10 years in this province, should the private land owners get out of the business of—

The Chair: Mr Tilson, please. Order.

Mr Jefferies: No.

The Chair: Order. Thank you. I want to thank the delegation for coming before us. We appreciated your brief and we acknowledge that you have probably provided us with information that you had probably not planned for. We also appreciate that. It was a pleasure for the committee to have you, and I am sure you will be following our deliberations.

By previous agreement, the committee has decided to adjourn for 15 minutes. I would ask all committee members to be back by 12:20 because I understand we wish to discuss further matters with ministry officials for approximately one hour. I want to let committee members know that lunch has been ordered and lunch is here. So, please be back at 12:20 or your lunch will be cold.

The committee recessed at 1205.

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The Chair: Maybe we can get started. My understanding from this morning's agreement is that the committee members believe that another hour is necessary for discussion with Ministry of Housing staff. I am not sure what procedure you adopted this morning for questioning, but certainly whatever was done this morning, I am sure we—

Mr Brown: There has been no questioning.

The Chair: There has been no questioning and answering? Do you have a comment, Ms Poole?

Ms Poole: Yes. I just wondered whether one hour was going to be sufficient time. That is 20 minutes per caucus. I know that the ministry has given us a lot of food for thought, a lot of data-statistics background. I personally would be more comfortable with half an hour each if that would be agreeable.

The Chair: I have no problems with getting a consensus from the committee.

Mr Turnbull: I think that is the minimum we are going to need.

The Chair: We can always try this again on another day. We do not have to accomplish all of this today. The hearings are going to proceed for a number of weeks. So we have an hour and a half, which would in effect give each caucus half an hour today. If there is consensus on that, we can proceed on that basis. Is there consensus for that, 30 minutes for each caucus today? I do not know what order you want to proceed in. Is there a consensus on a particular order?

Mr Tilson: I guess, Mr Chairman, as long as we do have the right—obviously we are restricted on the time—at perhaps another time, at your discretion perhaps—

The Chair: Ms Poole had asked to go first. Can we go? Okay? I just want to tell the committee members that if we need more time we will schedule more time. That is not a problem as far as I am concerned.

Mr Turnbull: While we are going on rotation I think there might be questions that are asked by members of the other parties where we want some clarification. I think we should be able to step in.

The Chair: You want supplementaries. Okay. We can do that, but I am going to ask all committee members to use their own best judgement, and if there are objections, for example, if you object to your train of questioning being interrupted, then I am not going to allow it to be interrupted. So it is going to have to be the committee members working this out among themselves. It is not going to be possible for me to keep track of every

particular second. If the process looks like it is going to bog down and cause trouble, then I will not allow the supplementaries.

We can try it. I would ask everyone to show each colleague the courtesy that you would expect, and like I said, we will try it, but if it does not work we are going to strictly adhere to every caucus getting 30 minutes without interruption. Is that fair? Thank you. Ms Poole, you asked to go first, then we will have 30 minutes from the PC caucus and 30 minutes from the government caucus. Please commence.

Ms Poole: I just want to say I have cancelled my cable show. I am not going, so there is no longer a need for me to specifically go first if anybody else—

The Chair: No, I think it has already been agreed to. Let's get started.

Ms Poole: Mr Chair, if I could ask you for a favour, perhaps after 15 minutes you could let me know because I would like to be able to give opportunities to my colleagues to participate too.

I would like to start with this documentation, Background: Available Data on the Condition of Ontario's Rental Stock. The first few questions are on this particular paper. The first one relates to, on page 1, the material you have provided from Statistics Canada that 29% of Ontario's rental units were identified by occupants as being in need of major or minor repairs. There is no breakdown of major and minor given in this document, although I understand that it was in the Statscan survey. Do you happen to have those figures? Of the 29%, what proportion was considered by tenants to be major and what was minor?

Mrs Beaumont: I do not have them with me, but I believe we have those back at the office and we can provide them.

Ms Poole: Thank you. I would appreciate that. The second question again relates to this background. On page 4, I believe, it talks about "the proportion of tenants perceiving 'deterioration in maintenance' has, on average, increased over the 1977-1987 period for the six CMAs for which the data is available." Do you have any personal opinions why tenants' perceptions are increasing? Is it because our housing stock has aged 10 more years so that major repairs are more necessary? Is it because tenants are more activist? Is it because the buildings are not being cared for in the same way they were in the pre-1977 period?

Mrs Beaumont: Without having those housing surveys before me, and let me put that caveat on my response first, I can only give you my impressions based on my knowledge of rental housing stock. We are talking of a 10-year period. I would say that a substantial proportion of that would be due to aging of the stock, that 10 years is a significant period of time. In that 10-year period, bear in mind that includes one period of extremely high interest rates and certainly during that period there were reductions in maintenance in some situations. That has also, as you indicated, been a period in which tenant

activism has increased substantially and people's awareness of problems has increased substantially.

Municipalities, as well, during that time period have become active in making people aware of what could be seen as appropriate standards of maintenance. You would see during that time period an increase in the number of property standards bylaws around the province and an increase in municipalities' actions to implement those bylaws. So there would have been, and tenants would have become aware of, an increase in work orders. But taking all that into account, I think most of it could be accounted for by aging buildings.

Ms Poole: Thank you. On page 6 you—

Ms Harrington: Question.

The Chair: Ms Poole, Ms Harrington would like a supplementary.

Ms Harrington: No, a new question.

The Chair: A new question: I think we agreed to interruption only for supplementaries. The new questions you will have to hold until your caucus. Is that okay?

Ms Poole: For any members who were busy getting lunch, I am on page 6 of the background about the data on the condition of Ontario's rental stock. On page 6 it says, "Studies have shown that in the majority of cases, rehabilitation is a more cost-effective way to provide modest housing than new construction."

My concern is that we have before us in Bill 4 legislation that will discourage landlords from putting a penny into major repairs or capital expenditures, and my fear is that it may discourage them from even the day-to-day repairs they are obligated to provide. What effect do you feel Bill 4 is going to have on rehabilitation of buildings? Do you anticipate there will be any rehabilitation of buildings done in the two-year period or in the period of the moratorium, however long it lasts?

Mrs Beaumont: I am probably repeating what has been said previously by other people. I have not been here all the time so I am not aware of what may have been said, but I would ask you to bear in mind that Bill 4 is temporary legislation. It is not intended as the permanent legislation. The minister gave an indication yesterday of his anticipated timetable for moving to the permanent legislation, which was at a significantly faster pace than the provision in Bill 4 for it to have a life of two years.

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If you look as well at some of the statistics that were provided, there is the indication there that in any one year 83% of the rental stock does not come forward for rent review, which means that the landlords either feel they can do what is necessary in their buildings with the guideline amount, or they already have provision through increases already awarded through phase-ins or through the level of that maximum rent to be able to do what they feel is necessary.

I think you would see that the bulk of the rental property in Ontario would not be affected by Bill 4 during the time of its operation. There certainly will be situations in those that would have come forward, as part of the 17%

that would come forward, where there are landlords who would have anticipated carrying out some major capital construction that they have indicated to us and in the media that they have put on hold, but in my judgement that would be a very small proportion of the total rental stock.

Mr Turnbull: Do I understand you correctly, that you do not anticipate that major capital expenditures will be entered into by landlords during the period of the moratorium?

Mrs Beaumont: What I would say is that 83% of the rental stock in Ontario does not come forward to rent review for increases above guideline in a year for a variety of reasons. They would not be affected by Bill 4. That is 83%, the bulk of the stock.

Mr Turnbull: But that does not answer my question.

Mrs Beaumont: But what I am saying is that in that stock that would not be affected, and the plans of those landlords, some of them may feel they can undertake work without coming to rent review. Landlords indicate to us that some of them are able to undertake work within the guideline or within the frames of past increases that they have been awarded.

Of the 17% that do come forward every year, a portion of those units, the landlords would have come forward for major capital expenditures. For major capital expenditures most landlords would be looking for an increase above guideline. They would not be able to get an increase above guideline for capital expenditures during the life of Bill 4.

Mr Turnbull: Let me just reiterate my question. A major capital expenditure you do not anticipate would be done?

The Chair: I believe Ms Poole would like the floor back.

Mrs Beaumont: Landlords have indicated they would prefer that.

Ms Poole: I would like to take your comments one step farther, and now I am going into your major presentation document, on page 4 of the blue papers, which quotes whole-building review for all buildings, the number of units in various ranges of increase in maximum rent from 1985 to 1990.

According to these statistics which have been provided by rent review for whole building review increases above 19.9%, 6.84% of the units have had increases above the 19.9%. I was wondering if you could perhaps tell me whether you feel there has been widespread abuse of the rent review system by landlords, and if you do believe there has been widespread abuse, what background statistics did you have which led you to introduce legislation which is basically going to affect all landlords and not simply those who have been abusing the system? Perhaps you could explain what sources you drew on to come to the conclusion that something as serious as Bill 4 was necessary to cure the problem as an interim measure.

Mrs Beaumont: I am a little uneasy about the use of the term "abuse of the system," because that implies some illegal activity. All forms of legislation can be applied and used in different ways and the nature of legislation, the

way in which legislation is written, can in itself lead to certain actions.

Ms Poole: Perhaps I could rephrase that: landlords who have taken excess advantage of the system. I think you know what we mean. We are talking about the ones who had very, very high rent increases, that while legally they could be justified, perhaps morally we had more problems with them.

The Chair: Maybe I could help the staff. Maybe the answer to that was that it was a political decision. Does that help the staff?

Mrs Beaumont: That helps, yes.

Ms Poole: Can you justify this political decision? I am going to get you yet.

Mrs Beaumont: The minister, in making his decision, as he indicated in his statement yesterday, was very much aware of the number of units that are affected. He quoted you the number of units which had had high increases in his statement yesterday. You will see the numbers of units indicated in this table. But as your Chair said so helpfully, it was indeed a political decision.

Ms Poole: Just for anybody who is unique enough to be watching television and the Legislative Assembly committee at this particular day and time, would you like to just give us what those figures are?

Mrs Beaumont: If you were commenting on the figures where increases above 19.9% have been granted and if we look at the across-Ontario figures, in the range of an increase of 20% to 24.9%, we have 13,488 units; 25% to 29.9%, 5,527 units; and above 30%, 8,193 units. That above-30% figure would include some that would extend considerably above 30% and the minister made reference to a number of those in his statement.

Ms Poole: The statistics I have for rent review for the 22-month period 1 January 1989 to 31 October 1990 showed, I believe it was, 12/1000 of 1% as the number of units which obtained rent increases of 100% or more. Would you happen to have that information?

Mrs Beaumont: I do not know. Do you know, Dana?

Ms Richardson: I do not have that data down here today.

Ms Poole: Perhaps I could provide you with this afterwards and you could confirm whether that is indeed true.

The minister has said on a number of occasions that it would be silly for long-term legislation not to have provisions for capital expenditures. Why was there no provision for capital expenditures in the interim legislation?

Mrs Beaumont: Purely because it is interim legislation and the government has indicated that one of the major issues on which it seeks to consult in the development of the permanent legislation is a way in which to address capital. Recognizing that there is a need for repair, a need for major repair in a significant number of buildings, there are a variety of ways in which that can be addressed. I think in your committee deliberations to date there have been a number of suggestions as to how that could be addressed and the government has indicated that

as one of the key things on which it wishes to consult. It did not want to move forward immediately in this legislation to come to a conclusion, and at the same time not wishing to continue with the system that had been in place.

Ms Poole: I have one final question before my colleagues ask theirs, and it relates to a number the minister has used in a variety of different ways in the House, in the media and in this committee. I would like to find what the number actually means. He has used the number 330,000. He has used it to indicate the number of tenant families which faced increases above the guideline.

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The minister has used the same figure as representing tenant families who experience rent increases above the average of 11%, and the minister has also used it in another way, 330,000 tenant families who face huge rent increases due to luxury renovations. So this is multiple choice: Which of the figures for the 330,000 are actually correct and over what time period would we be talking?

Mrs Beaumont: I am a public servant and I am sure my minister was correct in the context in which he used those numbers.

Ms Poole: All three times. You are not a civil servant, you are a diplomat.

Mrs Beaumont: If we look at the numbers on the page, the table we were looking at before in the blue pages, you would see an indication there of 397,000-plus units that have gone through rent review. Are you doing some instant arithmetic there for me, Dana?

Ms Richardson: It is not very good, though.

Mrs Beaumont: If we extract from that those that have had increases which have been of an amount below the guideline in place at the time, I think that is where you would get the 330,000, that being a rounded-off number.

Ms Poole: Below the guideline?

Mrs Beaumont: Yes.

The Chair: Ms Poole, you asked me to inform you about your 15 minutes and I believe you have reached that point.

Ms Poole: Perhaps Mrs Beaumont could just finish her answer and then my colleague can speak.

Mrs Beaumont: Bear in mind that what we have indicated on this table are the increases that were granted. You will see that some of them in fact were below 4.9%. There is a distinction between what a landlord may request and what is granted, so some of the increases granted could be significantly below what is requested.

Ms Poole: One last final one. Do these figures include the 4.6% statutory guideline, or the guideline at the time, or are these increases above the statutory?

Mrs Beaumont: These increases would include the guideline in the way in which the guideline is applied to orders, because when you apply the guideline to orders, if we take for example the guideline this year, which is at 5.4%, 1% of that is for minor capital. If the RRRA was fully operational and you received an increase in an order which included capital expenditures, in determining the

increase, 1% would be deducted so as not to double count what is included in the guideline and what is granted you in your order. So they include the modified guideline amount. That was the figure I referred to as the operating loss.

Ms Poole: Thank you for clarifying that.

Mrs Y. O'Neill: If I may just continue then with our time, the 330,000, could you give me a percentage of that in the total rental market in Ontario? I presume that is an Ontario figure, 330,000. Has anybody got what percentage that is of the total rental units in the province? Maybe you do not have that right now. I could get it later.

Mrs Beaumont: No, but the total number of privately owned rented units, which is what we are talking about here, is 1,050,000. So that is about a third.

Mrs Y. O'Neill: Okay, thank you. The background paper you provided, as I did say earlier in the morning, I am very impressed with both your written and verbal presentations. This is not an easy subject to explain to other people, and certainly in a short time frame.

You have used one acronym I am not familiar with on page 1 there, CMA.

Mrs Beaumont: Census metropolitan area.

Mrs Y. O'Neill: So that is Toronto versus—

Mrs Beaumont: Yes. That would be bigger than Metropolitan Toronto. This is the basis on which Statistics Canada provides all of its information. The census metropolitan area for Toronto extends significantly out. It includes Oshawa, Mississauga—

Mrs Y. O'Neill: Hamilton?

Mrs Beaumont: No, not Hamilton. Hamilton is a separate CMA.

Mrs Y. O'Neill: Okay, that gives me some idea.

Now, I would like to go to page 12 of your major presentation, if I may, the transitional rules. Before I do that, I just remembered that there was a presenter this morning who stated that the pass-through costs—and if I heard correctly, there were no criteria for a pass-through cost nor was there a ceiling, and I wondered what your comments were. That was my understanding of the presentation. Maybe you could help me by explaining pass-through costs and if there are criteria or a ceiling or how the ministry is involved in helping a person determine.

Mrs Beaumont: Can I clarify if you are talking about pass-through costs in the RRRA or specifically under Bill 4?

Mrs Y. O'Neill: The RRRA.

Mrs Beaumont: Do you want to explain, Dana?

Ms Richardson: Yes. There is a range of costs that can be passed through. Some of them are capital expenditures, financial loss and other items.

Mrs Y. O'Neill: Yes, I understand that. The criteria—maybe you were not here for the presentation—were similar to what several people said: "We have had a whole lot of renovations. We had nothing to say about them and the building is just becoming a higher quality investment. We are not really benefiting." This is the context.

Ms Richardson: Under the RRRA, for a capital expenditure there is not a ceiling that limits the amount that can be passed through. There is a ceiling for a financial loss and economic loss. Under some regulations that were passed in April, there were some further limitations placed on the pass-throughs of capital expenditures, for example.

Mrs Y. O'Neill: So they were in effect from April to October?

Ms Richardson: Yes. Those limitations also addressed when a building comes to rent review, obtains a rent increase based on capital expenditures and then the building is sold at a higher value. If the capital expenditures have contributed to that value, an adjustment is made. So there are some limitations in the current system.

Mrs Y. O'Neill: So there are limitations. What about criteria?

Ms Richardson: There are no criteria in the current act on whether a capital expenditure is necessary or unnecessary.

Mrs Y. O'Neill: You tried to explain that, I guess, in one of the other papers that you presented to us.

Ms Richardson: That is right.

Mrs Y. O'Neill: Okay, page 12. I am trying to understand what is actually happening at the present time with the people who are involved in rent review administration. Now, I understand you have some figures here about backlogs. I know that some parts of the province, as you said I think in your presentation, are up to date almost. Anything that is happening now I would like you to tell me about. Are there any applications? What is happening to the appeals? Where are we right now with these people? In other words, I would like to know what the rent review administrators in this province are doing right now, if they are not doing backlogs.

Ms Richardson: A number of them are indeed taking care of the 130,000 units that would be before 1 October first effective dates. Throughout the province, we have a system of sharing the workload, so some people who may be caught up in Thunder Bay may be dealing with some applications in the Toronto area to help out in its backlog situation.

Another very major thing that our staff is doing has to do with the rent registry, to make sure the units that have been registered on the rent registry are verified. That is a very major project being undertaken right now.

Mrs Y. O'Neill: So right now you are not receiving any new applications.

Ms Richardson: Yes, we are still receiving new applications that will be decided under Bill 4.

Mrs Y. O'Neill: So they would only be these new justification factors.

Ms Richardson: Yes. There are applications being made right now for whole-building reviews and there are tenant applications for rebates and for challenges to the rent review guideline.

Mrs Y. O'Neill: A very quick question. Could you tell me a little bit about tenant rebates? Under what conditions

are they given? Is that as the result of an appeal? Is that the only condition?

Ms Richardson: No. A tenant rebate is based on an illegal rent increase that was taken some time in the past. It could have been that more than one rent increase was taken in a 12-month period. For instance, it often happens on tenant turnover. When a tenant moves out, the landlord may increase the rent by guideline but it may be two increases in one year—that would be an illegal increase—or indeed charge more than the guideline.

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Mrs Y. O'Neill: Thank you for your succinct answers.

The Chair: The Liberals have a little time left.

Mr Brown: I am interested in some definitions. I wonder if you could provide me with what the ministry considers the definition of flipping.

Mrs Beaumont: The current minister and the previous minister have both referred on numerous occasions to the flipping of buildings, the previous minister in the context of the discussions that went on a year ago on luxury renovations. What has been referred to by both ministers—two things, one being where a building would be turned over from one ownership to another ownership within a very short period of time. You may have sales of buildings taking place just within a couple of years. You buy it, you resell it 18 months from now. That is one situation.

The other situation is where a landlord would go for and obtain significant increases in his rents, often based on financial losses, perhaps on capital expenditures, but often as well on some of the other financial provisions in the legislation, and then sell the building, which may not necessarily be within a very short period of time.

The concern has been with the turnover in ownership of buildings after there have been significant increases of rents in the building and a new landlord then going to rent review again for significant increases based on his new financing of the building. It is that activity, as opposed to a landlord holding a building for a long period of time.

Mr Brown: What you are saying is that the price of the building is a function to some extent, or probably a large extent, of how much rent the building can bring in and you can almost double the amount of increase by selling the building.

Mrs Beaumont: Very much so.

Mr Brown: You have not given me a time line. When we are just talking about straight turnover, are we talking about 18 months, are we talking about 2 years, are we talking about 5 years, are we talking about 10 years? My difficulty is when we start talking about flipping, as a member, I want to have some understanding of whether it is increasing or decreasing, and if in fact it is becoming a greater problem or a lesser problem.

Unless we have a very, very precise definition of what we are talking about, it is impossible for anyone to tell me what the statistics are. Is it increasing? Is it not? We have to know exactly what those kinds of time frames are or it is impossible for me, or anyone else for that matter, to

make a judgement about whether flipping is increasing or decreasing, or whatever. We do not have a precise definition is what you are telling me.

Mrs Beaumont: I cannot give you a precise definition. There is a whole variety of people in the tenant and landlord community, municipalities, media, among others, who use the term "flipping." Each has his own definition.

Mr Brown: I know that and I think I did know what flipping was in that sense, but I was wondering if we have a technical definition.

Mrs Beaumont: No, we do not.

Mr Brown: Can you tell me then if there are more units being sold today or this year, in 1990, than there were in 1989, in 1988? Can you tell me year over year if there has been an increase in the sales of apartment units?

Mrs Beaumont: I cannot give you those numbers off the top of my head. We do not track sales of units. We would not have information on those unless they come forward to rent review with information on new ownership. The city of Toronto did a study a couple of years ago on that. I would only say to you that with the current state of the real estate market generally, and I talk about the market generally, not the rental sector specifically, this would not be a good year for anyone to choose to sell a building.

Mr Brown: Yes, not for market reasons.

The Chair: You have time for one very short question.

Mr Brown: I do not know whether that information exists, but if it does, if someone could provide that information, that would be helpful.

Mrs Beaumont: We will see what we can get for you.

Mr Brown: Yes. The other one is, could you tell me what the average and median length of stay for a tenant in a particular apartment unit is?

Mrs Beaumont: I believe it is two years, but let me check on that.

Mr Brown: The average or the median? Which one is two years?

Mrs Beaumont: Let me check and get back to you.

Ms Poole: I would just like to thank our Ministry of Housing witnesses for their considerable expertise they have shared with us today. I am sure they are gratified to know I am just as much a thorn in their side as an opposition member as I was as a government member. Some things do not change.

The Chair: Mr Tilson, your party has until almost 1:30; 1:28, 1:29.

Mr Tilson: To members of the Housing staff, I would like you to clarify a question that I asked the minister yesterday on which I am really not too clear what his position is. That has to do with the economic impact analysis. I know he was in a hurry to get away and we really did not get into it thoroughly.

You recall that in the House on 28 November I asked the Premier a question which was subsequently referred to Mr Cooke, which was, "I would like to ask the Premier if

his government has done an economic impact analysis of his decision to proceed with rent controls." Then Mr Rae referred it to Mr Cooke. Mr Cooke's answer was, "I guess how I would like to respond to that is that we did." Further on I asked if that could be produced in the supplementary and Mr Cooke stated, "I am certainly prepared, and we will as we go through this process, to share every bit of information we have that helped us make this decision."

I believe for me to better understand the process, and I think the members of the committee as well, I would like to see this economic impact analysis that Mr Cooke indicated was available. I had written him and asked him again in the House, and on both occasions it has not been produced to me. Do you have this economic impact analysis?

Mrs Beaumont: I think it may have been in the atmosphere of the House that you and the minister perhaps were talking at cross-purposes as to what was meant by an economic impact analysis. What we do have, and you have part of that material in the blue pages, are indications of the numbers of units, the numbers of landlords, that we would anticipate would be affected in one way or another by Bill 4. Because of the numbers that go through rent review, we have historical information on how much money has been requested through the rent review system by landlords for capital expenditures.

We have information on what factors lead to rent increases. We have this kind of information, but we do not have a report entitled Economic Impact Analysis and a detailed analysis that you might find if you went out to an economic consulting firm.

Mr Tilson: Before this bill is passed, does the government plan to do one?

Mrs Beaumont: I cannot speak for the government's plans. At this point in time the ministry staff have not anticipated undertaking that. This is interim legislation and we look at the variety of factors on which rent increases have been granted, expenditures historically, number of units and number of landlords anticipated to be affected. The conclusion that had been arrived at was that for a moratorium period, the bill would not have cataclysmic consequences that some are claiming for it.

1300

Mr Tilson: Are you prepared to recommend to this committee that we perhaps suggest to the Legislature that the minister do an economic impact analysis either for Bill 4 or for the green paper that he has indicated he would be presenting to us?

Mrs Beaumont: I think the committee must recommend to the Legislature what it chooses to.

Mr Tilson: Oh, I can assure you it will. But notwithstanding what I as an individual of this committee does, are you as staff of the Minister of Housing prepared to make comments to this committee as to whether or not an economic impact analysis should or should not be completed prior to the passing of Bill 4?

Mrs Beaumont: We have not seen the need for such an impact analysis. If we had, we would have recommended to the minister that one be undertaken.

Mr Tilson: We have heard specific comments with respect to capital expenditures, the main and the largest of which seems to be garage repairs. As I understand it, the main capital applications that have come before you for rent review are garage repairs, exterior concrete and brick repairs, roofing, plumbing risers, rewiring and balcony railing replacement for safety reasons. From the information that has been given to you through these applications, can you tell us what percentage of the applications for rent review are for those items?

Mrs Beaumont: Do you want to comment, Dana, on some of the work you did previously on that?

Ms Richardson: We do not track each individual capital expenditure in our statistics, but I would point out to you the studies that Mrs Beaumont referred to earlier this morning about some of the work we did last year on an analysis of necessary and unnecessary capital expenditures. The caveat around that is that it was a random sample of rent review orders that had been issued up until that time and that it is only 92 rent review orders that we used.

The other caveat is, we did look at each of those orders and we looked at what were the capital expenditures that were allowed in those particular orders. We used a very rough division of what is necessary and what is unnecessary. All of those caveats aside, our conclusion was that in those particular orders it was a 12.62% rent increase on average in total.

Of that, 7.5% approximately was due to capital expenditures, and further breaking that down, 5% approximately was due to necessary and 2.43% was due to unnecessary. The necessary kinds of expenditures would probably include the ones that you have indicated. The unnecessary ones were things like bathroom renovations, microwaves—

Mr Tilson: Okay. I am interested in the necessary ones or what I conclude are the necessary ones, and the ones that I have listed I think are necessary ones. Is this information not in a computer? Can this not be obtained?

Ms Richardson: We do not track each individual expenditure.

Mr Tilson: Is it difficult to do that?

Ms Richardson: We would have to review all of the rent review orders that have been issued in order to do that breakdown.

The Vice-Chair: Mr Jackson has a question.

Mr Jackson: My understanding is that a landlord can approach the rent review commission to get prior authorization for certain capital expenditures under certain conditions. Are you suggesting that you do not track that, that you do not record that, nor do you take note of it?

Ms Richardson: Of course we take note of the conditional orders. They list on each individual order what the capital expenditures requests are.

Mr Jackson: These are generally substantive ones. They are not done for 2% or 3%. They are to make sure that if I put half a million bucks into a basement—

Ms Richardson: We can certainly pull out individual orders, Mr Jackson.

Mr Jackson: I just want to suggest that this kind of information is available. I have seen it.

Ms Richardson: On an individual order, yes, but we do not gather it together and add up all of the garage repairs. That is not our usual statistical research.

Mr Jackson: No, I did not suggest that. I just said that you have easy access to it because all your conditional orders are filed and can be pulled forward and analysed at any one time. I have seen the work orders.

Ms Richardson: Yes, we can look at individual orders.

Mr Tilson: If I could continue, this would be useful, certainly from my perspective, because these things are really not going to be allowed unless landlords have a capital supply somewhere or unless they get a loan somewhere. It would be useful for me to know so that we can determine how this is going to be undertaken. I would hope that in the weeks ahead you do reconsider your position to make that available.

That leads me to my next question. We are dealing with that fact that capital expenditures are not being allowed as such to be included in the calculations for rent increases. At least in Bill 4 they are not. I am sure you have received dozens and dozens of letters and telephone calls from various groups, whether they be people who are being laid off from work, whether they be landlords or whether they be suppliers, who really have serious concerns. Jobs are being lost, contracts are being cancelled. You have received these letters, I have received probably a fraction of the letters that you have received.

One of the big concerns, of course, is that work that was done under the rules, the existing legislation, work that was approved even by tenants, work that was done—and, of course, if it was done and it does not match this legislation, it is essentially being void. That is the result of the legislation, which is creating serious economic hardships to a great number of people. The phase-ins which have been approved under the existing legislation, depending when they fall, as was given in your testimony this morning, now are being cancelled, even though they have been approved under the previous legislation. That too is creating hardships.

These land owners, having played by the rules—and we heard a sad, sad story of a man in Hamilton, was it?

Mrs Y. O'Neill: Yes, he moved to Toronto, but the building was in Hamilton.

Mr Tilson: We heard a very sad story and I do not know whether any of you were present here today, but that is a typical example of some person who has played by the rules. They played by the rules of the previous legislation to a tee, they did everything they were supposed to do, and all of a sudden the rules are changed in midstream.

These people then presumably go to banks or they go to institutions because they need money to pay for these things, because they are not going to be able to ask the tenants to share for these things, even though in many cases the tenants have approved it.

So I guess my question is, knowing that, does the government have any plans to assist people who are—if you are not, and I am not saying you, but if the government is not prepared to amend that legislation, does your ministry have any plans or do other ministries in the government have any plans to provide assistance to people who are caught in this situation, who are literally going to go bankrupt, who go to the banks and the banks say: “Sorry, you don’t have the income to increase your mortgages. The rules have changed. We are not going to give you those loans”? Does the government, that you know of, have any plans to assist the people who are caught in this terrible, terrible situation?

Mrs Beaumont: If I may, I think that question could perhaps better be directed at my minister. The ministry does not currently have any programs in existence that would provide assistance of that kind. There was reference already to the low-rise rehabilitation program which provides funding.

Mr Tilson: I understand that you do have your legal counsel present with you to assist you. Has any correspondence been sent to you? Because these people, as a result of the government’s actions, are being put in very serious positions. Have there been any indications or any actual lawsuits implemented against the government as a result of the government’s proposed Bill 4?

Mrs Beaumont: I have not yet seen any indication of any lawsuits based on Bill 4. Of course, the minister receives a large volume of correspondence both from landlords expressing concerns with Bill 4 and from tenants expressing their concerns with the current legislation.

1310

Mr Tilson: Have you asked your counsel or have you sought any independent legal counsel as to whether or not the government by this retroactive legislation—and I am speaking specifically to the retroactive part of the bill—is breaking the law.

Mrs Beaumont: Christina, would you like to comment?

Ms Sokulsky: Could you perhaps clarify the question? What do you mean by “breaking the law”?

Mr Tilson: I am asking you. I guess I am following through with the question as to whether any specific people, specific landlords or their solicitor or counsel or legal representatives, have contacted the government to say that because of the retroactive provisions, whether it be a charter argument or whether it be some other form of legal argument, the government is breaking the law. Have you sought out counsel before you implement this legislation to determine whether or not the government is breaking the law?

Ms Sokulsky: Certainly the proposed legislation has passed through the normal channel, which is review by

legislative committee, and these are certainly considerations that go into review of the legislation.

Mr Tilson: I hope for the sake of this province that it was not the process that was followed with the Sunday shopping legislation.

The next question has to do with the GST. Is that one of the items that can be passed on to tenants? I am speaking specifically of goods and services, purchases that are being made by the landlords on behalf of the building for the benefit of the tenants in which GST is charged. Is the landlord fully responsible for that or will the tenant share in that tax?

Ms Richardson: Perhaps I can respond to that. The GST as it is incurred by a landlord will be reflected in the three-year moving average of the guideline because as that is reflected in landlords' inflationary costs, it then gets reflected in the annual guideline.

Mr Tilson: How is it reflected in the inflationary costs?

Ms Richardson: In determining what a landlord's annual costs are—a landlord may have additional costs because of GST. Some will go up and some will go down.

Mr Tilson: Are you saying then specifically that the GST is allowed for in this legislation?

Ms Richardson: In the calculation of the guideline which tracks inflationary changes and to the extent that GST will contribute to inflation, there will be a reflection of GST in rent increases.

Mr Tilson: Can you give me the specific section in the bill for that so I could look at it?

Ms Richardson: With reference to the section that talks about the calculation of the rent review guideline and the building operating cost index—

Mr Tilson: What section is that?

Ms Richardson: The section that adopts from the RRA the calculation of the guideline. I am afraid I just do not have that at my fingertips.

Mr Tilson: Could you get that for me?

Ms Richardson: Yes.

Mr Tilson: I do not have the bill memorized either, but in due course could you get that for me, please.

Ms Richardson: I would like to just add one other point. If a landlord is experiencing additional costs that might result in extraordinary operating costs in those six cost categories, that also could be the subject of a rent increase.

Mr Tilson: Mr Turnbull will continue on with our party's questioning.

Mr Turnbull: Just following that line of questioning with respect to GST, could you tell me what the percentage component in the 1991 guideline number is for that inflationary factor?

Ms Richardson: There is not any in the 1991 guideline because it is based on a three-year moving average of the past three years of inflation, so it will only be showing up in the next calculation of the guideline.

Mr Turnbull: Let me start out by saying that I recognize what a tightrope civil servants walk in coming to give testimony before these committees. You have my sympathy. Can I specifically address, first of all, Mrs Beaumont. How long have you been with the Ministry of Housing?

Mrs Beaumont: I have been with the Ministry of Housing for a considerable period of time. I returned to the Ministry of Housing in 1989, but prior to that I was with the ministry for 14 years.

Mr Turnbull: Have you been associated with rent review for most of that time?

Mrs Beaumont: No, I have not. I have been associated with rent review from the spring of 1989.

Mr Turnbull: But you have an acquaintanceship with the history of how rent review was introduced and the guiding principles at that time.

Mrs Beaumont: I was in the ministry when it was first introduced in 1975.

Mr Turnbull: We have heard that capital costs, according to the minister, will have to be allowed or some provision has to be allowed in the permanent legislation. To the extent that capital costs which have already been expended by landlords—I am specifically addressing the retroactive aspect of this legislation at the moment—to the extent that landlords went ahead and went into capital development, they were completely within the law, were they not?

Mrs Beaumont: Yes, they were.

Mr Turnbull: Was it not contemplated in the existing legislation, both Bill 51 and the legislation that that in fact replaced, that major capital costs were always considered to be something that you would charge back to tenants after the fact because there was no pool of money available to pay for capital costs?

Mrs Beaumont: That was the premise in both pieces of legislation, yes.

Mr Turnbull: So we have had essentially a little over 14 years of no ability to generate enough money to provide this magical pool for capital costs.

Mrs Beaumont: The legislation that has been in place in the last 15 years has been based on pass-through of costs after expenditure, rather than building up a fund.

Mr Turnbull: Is it the fact that Metro housing and other public housing commissions do not in fact have a pool of money, a capital pool that they keep on contributing to to build up for capital expenditures?

Mrs Beaumont: The funding for public housing is very different, of course.

Mr Turnbull: I am just talking about capital.

Mrs Beaumont: Yes, but if you use the example of Metro housing, that would be public housing and the money for that comes from government allocations at the federal and provincial levels from year to year, so it is a very different situation.

Mr Turnbull: But the same considerations were extended to private landlords that it would be raised after the fact.

Mrs Beaumont: Yes, but if I could just go back for one moment, I made a comment on public housing, but non-profit housing is in fact required to build up a capital reserve.

Mr Turnbull: That is condos, is it not?

Mr Jackson: Similar to condos.

Mrs Beaumont: No, condos would be private sector. Condos are required to have a capital reserve, but non-profit housing that is going ahead now under federal and provincial programs is also required to build up a reserve, similar to condos.

Mr Turnbull: Were the landlords who purchased properties and incurred financial losses due to the financing arrangements which were allowed under Bill 51 acting legally when they went for rent review and asked to pass costs through with respect to financial loss?

Mrs Beaumont: Yes, which is why I was questioning the comment earlier.

Mr Turnbull: Precisely. Your comment that they were not abusing the system, and I think it was quite correct.

Mrs Beaumont: They were using the system.

Mr Turnbull: Yes. Can I ask you, have you any thoughts on the ability of landlords who have purchased a building in the last four or five years—let's say within the last three years—and have not got all of their costs passed through for financial losses, and landlords who have entered into major capital expenditures and may have actually got a provisional order from the ministry? Is it not a fact that they may incur considerable problems in refinancing their buildings?

Mrs Beaumont: You are talking two very different situations when you talk financial loss and capital expenditures. I will ask Dana to speak on the financial loss situations, because she is more of an expert than I on the financing of buildings and the relationship between the financing and the rent and how this all ties into value.

Mr Turnbull: Let's just stick with capital expenditures at the moment.

Mrs Beaumont: If we stick with capital expenditures, some landlords, as they have indicated to us in correspondence and to you, no doubt, in correspondence and will indicate before this committee, will have borrowed money to spend on buildings anticipating that that would be returned in increased rents, which will not proceed under Bill 4. The minister, however, has indicated to this committee and elsewhere that Bill 4 is contemplated as temporary legislation. The whole question of capital expenditures is one that he wants to review thoroughly.

1320

Mr Turnbull: We are focusing on Bill 4 in these discussions at the moment because I would like to call you again when we get to the green paper. With respect to Bill 4, those expenditures that have been made, is it pretty

standard practice that a landlord will go and finance those at a bank?

Mrs Beaumont: For large expenditures, large landlords would normally finance those expenditures. In small buildings, especially in the very small buildings, duplexes, if you have an apartment in your house, you may own a small building, a four-unit, often in those situations the landlords would not obtain financing. There are many situations in which landlords in fact do maintenance, do repair, do minor capital work themselves.

Mr Turnbull: However, a large landlord would normally raise the funds from the bank.

Mrs Beaumont: From some financial sources, yes.

Mr Turnbull: If a landlord has a loss and he has incurred capital expenditures in the expectation, under law, of regaining that money, would it not be reasonable to expect that the banks may be somewhat distressed when they do not get paid if the landlord has a loss and has no ability to flow back the capital costs to the tenant?

Mrs Beaumont: I will ask my colleague to comment on some of the financing aspects, but let me just say that it is standard business practice, as financial circumstances change, that a business person would enter into renegotiations with his source of lending money.

Mr Turnbull: What do you think the ability—

The Vice-Chair: Just to be helpful, you have about two minutes left.

Mr Turnbull: I show five minutes, actually.

Mrs Beaumont: As well, the discussions that would take place with the bankers would be on the basis of anticipated rental income from the building because the rental income is a major determinant of the value of the building.

Mr Turnbull: But surely if the existing legislation allows you to go and borrow the money for capital costs, and if you had a negative cash flow in the building, that determinant is not correct. Is it not reasonable to say that the bank would say: "You do not now, due to this legislation, have the ability to recapture that money. We are calling our loan."

Mrs Beaumont: Normally, it is in quite extreme circumstances that a bank would recall its loan. They will go to considerable length to renegotiate.

Mr Turnbull: In the interest of time, would it be reasonable to say that if the bank called its loan now that many buildings are worth 20% to 25% less than they were before Bill 4 was brought in?

Mrs Beaumont: I have seen that number quoted in material put forward by the Fair Rental Policy Organization of Ontario. I would comment on that that we are currently in a time when all real estate is going through a re-evaluation, given the current market and also given interest levels and what has happened to interest levels over the last little while. It is hard to predict what impact any particular action of any government or any action in the marketplace may have on the value of buildings.

Mr Turnbull: A last quick question: What in your personal opinion, with the expert knowledge that you have, is the prime problem for affordable housing in Ontario? Is it the lack of housing? Or the low incomes of some tenants?

Mrs Beaumont: The current problem is a supply of housing at rent levels or at levels for purchase that relate to income levels of people. People are not making enough money to buy or to rent what is being provided in the market.

Mr Turnbull: Is Bill 4 going to address that? Yes or no?

Mrs Beaumont: The long-term solution is designed to address that.

Mr Turnbull: But Bill 4, will it address that problem?

Mrs Beaumont: Bill 4 has not been seen as a way to address or to answer the long-standing problems that exist in Ontario's rental market. Bill 4 was brought in in order to allow for time to address those long-standing problems.

Ms Harrington: I just have a few brief clarifications which I am sure you will be pleased to get to.

This morning you were discussing what a phase-in is. Normally from my understanding, it has been 5% in most cases. Is that always 5%?

Ms Richardson: The usual phase-in is 5% per year but there is a formula for economic loss which might result in a different amount than 5% per year. There could be some circumstances where financial loss is phased in at 6% per year, but on average it is 5% per year.

Ms Harrington: You would never get the 6% and the 5% together, would you? Is that possible?

Ms Richardson: Not for the same financial loss situation, no.

Perhaps I should also mention, though, that there could be an equalization phase-in and that could be added to financial loss. The combination could add up to 10% in some circumstances.

Ms Harrington: That 10% then would be on top of the 5.4% of this year.

Ms Richardson: Yes.

Ms Harrington: The other thing I wanted to briefly discuss was on page 5 about the standards board. Coming from municipal government, I know that primarily the municipalities have the authority to deal with violations of minimum upkeep and across the province I believe that this is a problem in maintaining the buildings at a certain level. Could you clarify briefly for me how the provincial standards board interacts with the municipal level and maybe you could suggest how the role could be clarified or what you would hope to see in the future to make the situation better.

Ms Richardson: I feel most comfortable addressing what is the situation right now. That is that if a municipality has a maintenance and property standards bylaw, the provincial standard usually does not apply in that municipality. The municipality would then do an inspection and send a copy of its work order to the Residen-

tial Rental Standards Board. The standards board would review the order and determine if the violation was substantial and if it was subsisting. If those were the cases, it would recommend to the ministry that a rent penalty be awarded in that circumstance.

There are municipalities that do not have municipal standards, there are the unorganized territories that do not have municipal standards and there are some circumstances where municipalities may not be enforcing their standards. In those circumstances, the provincial standard that has been reviewed by the standards board and adopted and set out in the Ontario Gazette would be applied.

Ms Harrington: So you do take authority in the cases where there is no municipal standards board.

Ms Richardson: Yes.

Ms Harrington: And you deal with the people directly.

Ms Richardson: Yes.

Ms Harrington: Just going back briefly to where there is a municipal standards board, what you are saying is that if the order is not complied with, it goes to you.

Ms Richardson: Yes. Usually the municipality has a time period in which an order is to be complied with. At the expiration of that time period, it is forwarded to the Residential Rental Standards Board and it determines if there has been compliance.

Ms Harrington: So the local legal people at the municipality do not handle it. It comes to the province for enforcement.

Ms Richardson: No. The municipality will continue on with its enforcement as well. The rent penalty is an additional enforcement mechanism.

Ms Harrington: I see. So they would possibly take the people to court locally as well as having the province involved.

Ms Richardson: Yes.

1330

Ms Harrington: To get some action at the provincial level—that is, a penalty enforced—how long would you say that would take from the first date of complaint? You are saying there is a time lag at the municipal level of maybe a couple of years or something.

Ms Richardson: Well, at the initial complaint stage, a municipal inspector would respond. There may be some negotiation about when the complaint stage would happen, so it would probably vary quite substantially from situation to situation. Then when it is sent on to the standards board, that would be after the compliance period had expired as well, so it is difficult to say what the typical case would be in those circumstances.

Ms Harrington: Then once it gets to the ministry, there would be obviously a time involved there. Would you like to give me an idea of how long that might be? A six-month period for you to handle that?

Ms Richardson: I am afraid I do not have those statistics with me right now, but I could provide you with those statistics.

Ms Harrington: Okay. In the long term, I feel that this maintenance problem, which is one of the primary things that we have been hearing this morning, does have to be dealt with very firmly and clearly so that everyone in the province knows what the standards are and how they are enforced and what workable time lines are in place. That involves the ministry then working with the municipalities. I am looking forward to trying to do that, because I think it is an essential part of the process. I am just going to ask my colleagues if they have any questions.

Ms M. Ward: I have a couple of different areas here following up on what Margaret was talking about. Does that cover lack of services also, the standards such as lack of hot water for three or four hours a day on a frequent basis?

Ms Richardson: Minimum health and safety standards are the subject of the provincial standard.

Ms M. Ward: Okay. I have three areas. The chart that we were discussing earlier which showed the percentage increases, with the heading "Whole Building Review: Units—Increase in Maximum Rent," the column of the 0 to 4.9, would those increases come about because of a reduction in rent because of the rental standards in cases where they were below the guideline?

Ms Richardson: Yes, it could come about as a result of that. It also could be that there had been a withdrawal of a service; for example, that hydro had been transferred from the responsibility of the landlord to the tenant. That would result in a rent reduction as well.

Ms M. Ward: Withdrawal of service, and you quote hydro. What about things like a recreation room that was no longer available?

Ms Richardson: Yes, that is considered a withdrawal of a service and facility.

Ms M. Ward: A withdrawal of service also, okay.

My other question is about demographics. I am a Toronto person and very much aware of the problem here in Toronto. I wonder if you could give me some information about the rest of the province. We will hear this likely as we travel about and we have briefs, but whether or not the percentage increases that we have seen here in Toronto—39% or 40% is fairly common and we hear of 100% and 160%. Is that as common in other parts of the province or is it particular pockets, mostly the larger centres?

Ms Richardson: On the chart that you are looking at, it does give a breakdown of where those particular rent increases are occurring.

Ms M. Ward: They are there by numbers. I could work it out by percentage.

Mr Turnbull: Can I supplement it, because I can answer what you are asking.

Ms M. Ward: I think we should ask the Chairman that.

The Vice-Chair: It is up to you.

Ms M. Ward: Okay. We will listen to it.

Mr Turnbull: Well, I have done the calculations. You are saying that in Metro it is very typical. It is not typical.

Ms M. Ward: That is not my question. Is it typical? You are making a statement rather than answering my question.

Mr Turnbull: The Metro area accounts for 54% of the rent review orders on this chart. In fact, there was in Metro 56% of those of 30% or more. So that indicates that in fact Metro is only very marginally higher than the average for the province.

Ms Richardson: Perhaps I could also add something. In smaller municipalities, where they may have smaller buildings, a large increase can result from doing a roof repair. The cost of spreading that roof repair over two units is very different from spreading that roof repair over 50 units or 100 units, so there can be very large rent increases for small buildings as a result of some capital expenditures.

Ms M. Ward: One of the reasons I am interested in this is, considering how much the lack of freely available land in Toronto has on just how much new housing can be built, which certainly has an effect on the cost of it, and the continuing increase in the population of Toronto. I would expect the larger population centres to follow a similar trend as in Toronto.

Mrs Beaumont: Certainly land costs are higher in the Toronto area than elsewhere in the province, but in looking at the impact of that translated into what could be rent levels, you have to look first of all at how many new apartment units are going in anywhere in the province, and the answer is not very many at all. The statistics I presented to you show that it is generally less than 12,000 a year, which is not very many province-wide. If you look at the factors leading to the price of a rental unit, if you are putting up a new rental building, purely rental building, land value would be one factor. The cost of construction and the cost of materials are other factors leading to a very high cost for new buildings, whether they be rental, public or private sector or condominiums.

Ms M. Ward: General throughout? There is no exact ordering of the higher costs?

Mrs Beaumont: No.

Ms M. Ward: I think that answers my questions. Thank you.

Mrs Y. O'Neill: Mr Chairman, on a point of information, I asked a question about an acronym, CMA, and I was given an answer. The research staff have very quickly provided me with much more than I expected and I did not realize how significant my question was. These maps are available, which do show for the larger cities—apparently for most of the cities we are going to visit—the outline of the areas we are actually talking about. For instance, in the Ottawa area, much to my surprise, the bordering communities in the province of Quebec are included in the statistics. So when we talk about vacancy rates, we are not talking exclusively about Ontario, because these are federal statistics and sometimes provincial studies themselves, and certainly federal studies, are based on federal figures. The research staff have suggested to me that anyone who would like to have a copy of these

documents—they are rather large and cumbersome; I have only got them for three cities—are available to everyone who requests them.

Mr Turnbull: Mr Chairman, on a point of information, since we have the staff from the ministry here, I would make a request at this point to have the background information with respect to page 2 of the minister's presentation to us here yesterday. I would like to know what the base rents are for the examples he quoted, five different buildings in various parts of the province with very large percentage increases. I would like to know what the base rent was and what the rent now is and how many units within the building, particularly with respect to such comments as, "If you are amortizing a roof over two units, it has a profound effect." So we would like to understand what those selected buildings were and the circumstances which led to those high increases.

Mr Drainville: I just wonder—since it does not look like anybody on this side wants to ask any more questions—if we might break until 2 o'clock.

The Vice-Chair: I think that is a capital suggestion, but I am at the will of the committee.

Ms Poole: Just one suggestion. I know that we are due to go back on at 2 o'clock, but I also understand that the steering committee has made some suggestions about travel and I wondered if we could just take five minutes now to confirm those, so that the clerk can go ahead and schedule.

The Vice-Chair: I would be more comfortable if the Chairman were here to do that. I think he would probably be part of the discussions. I think, in the interests of our sanity, that perhaps a 15-minute break would be in order for the committee.

Mrs Y. O'Neill: Mr Chairman, just so everybody will know, Mr Abel requested a meeting with Mr Turnbull and myself very informally. The clerk was present, I do not know whether at the beginning of the meeting—the clerk will be prepared to tell us—but we gave her some suggestions. I do not know whether she has been able to react to those suggestions yet, but I think we should all know where we are at as much as we can. They were very informal discussions we had.

Clerk of the Committee: Can I make a suggestion that the steering committee meet during the break?

Mr Drainville: I am willing to do whatever.

The Vice-Chair: The suggestion here is that the steering committee have a little chat with the clerk during the break and we can come back at 2 o'clock and deal with the presenters for this afternoon.

Mrs Y. O'Neill: The difficulty I have with this, if it is a certainty, is that the Chair is part of the steering committee. I am willing to have one little informal meeting, but to have two, I do not like this. I mean, if we are just talking informally, which I think we did and it was very helpful, but if it is going to be a formal meeting, then the Chair has to be part of it, I think.

The Vice-Chair: I think at the moment we are trying to be helpful because as you know, the Chair is indisposed. He is at another meeting.

Mrs Y. O'Neill: Do you want to take his place, Mr Chairman?

The Vice-Chair: I can.

Mrs Y. O'Neill: Okay.

The committee recessed at 1344.

AFTERNOON SITTING

The committee resumed at 1405 in room 151

The Chair: I call the standing committee on general government to order. The first delegation this afternoon will be led by Graydon Hall—I am sorry, John Linnell. That is the first time it has happened since the committee has started hearings.

Mrs Y. O'Neill: It may not be the last one.

The Chair: It may not be the last one. It is John Linnell of the Graydon Hall Manor Tenants. Sir, I believe you are accompanied by a colleague. For the record, introduce yourself and who you are representing, and your colleague and the position of your colleague.

Do I see a point of order?

Mr Tilson: Mr Chairman, just one quick question of information before we leave the questions to the staff—I apologize, just for a brief moment—so we can be clear to the committee. Each party was allowed half an hour of questioning. I know that our party has some more questions. I do not know how other members of the committee feel about that, but our party specifically would like the members of the staff to come back, perhaps at the discre-

tion of the clerk and the Chair. I would like it on the record that they will be coming back.

The Chair: It is my view that members of this committee should have as much access to staff as is necessary or as is requested, and we can repeat what was done today over the lunch hour on any number of occasions until we are all satisfied that we have our questions answered.

Mr Tilson: Mr Chair, I realize that one of the nightmares of the clerk and perhaps yourself is the scheduling of things, if you could just add that to your list.

The Chair: We are going to work this committee until they earn their \$70 a day.

Mr Tilson: Until you have driven somebody crazy and it is probably us.

The Chair: You are going to earn your \$70 a day on this committee.

Mrs Y. O'Neill: We will support the request, Mr Chair. The official opposition will be supporting that request for a further time allocation from the ministry officials.

The Chair: If the committee members are willing to leave it up to the clerk and I to give you advance notice as to when this further information—

Mrs Y. O'Neill: I do not think we would need any more time than what we have had today at this moment. In other words, I am saying, if you can fit an hour and a half in, or even an hour, I think we could live with that, whatever is acceptable.

Ms Harrington: I would just like to offer to the committee the fact that because scheduling, as you mentioned, is very difficult at this point, I am sure the staff are here during the sessions and are available to you to answer any questions privately, as well, if you need points of clarification.

Mrs Y. O'Neill: We know that.

Mr Tilson: The staff has co-operated with me already. I have asked them several questions privately, but I would like to share some of the information with the rest of the committee.

The Chair: Do you want another hour and a half session tomorrow during lunch?

Mr Tilson: It is at your discretion, Mr Chair.

The Chair: I feel very comfortable doing that.

Mrs Y. O'Neill: Tomorrow at lunch.

The Chair: From 12 to 1:30.

Ms Harrington: Mr Chairman, it may not require half an hour for each party. I mean, basically, if there is just one set of questions it may take half an hour or so.

Mr Mammoliti: Could Mr Tilson tell us how long he would need for his questions, and perhaps the opposition as well? Give us an indication as to how long we have to stay.

Mr Tilson: I appreciate that. The difficulty with answering that question is that there are obviously supplemental questions that I could have, even from this morning, where I asked one question. I think following that I asked two or three other questions, and it may only require one question. For me personally, I could see our side using up at least half an hour.

Mrs Y. O'Neill: We would likely be able to fill 20 minutes.

Ms Harrington: Maybe schedule an hour, then, Mr Chair.

The Chair: You want to schedule an hour. Do you want to have lunch brought in again, like I did today?

Mrs Y. O'Neill: That is fine.

The Chair: It is fine with me.

Mrs Y. O'Neill: Could we have a little change of sandwich tomorrow? Since we will be on a sandwich diet, maybe we could just have a little change.

The Chair: You did not like what I had for you today? All right; we will change.

Mrs Y. O'Neill: I like variety.

Mr Turnbull: While I am really keen to get them back, I would really ideally like a little more time to address the information they have given us so far and

develop the questions probably in a little bit more focus so that perhaps it does not take as long.

The Chair: We are also going to be travelling in the days ahead, so we will work it out. If you feel tomorrow is too soon, I will present an alternative day for committee members to consider.

GRAYDON HALL MANOR TENANTS
7 ROANOKE ROAD TENANTS ASSOCIATION
WINFIELDS PLACE TENANTS ASSOCIATION

The Chair: Mr Linnell, you and your colleagues have 40 minutes, which will give you 20 minutes to make a presentation and then you and the committee can dialogue for a further 20 minutes. The floor is yours.

Mr Linnell: Mr Chairman, committee members, ladies and gentlemen, my name is John Linnell. I am the president of the Graydon Hall Manor Tenants. It is a recently incorporated non-profit association of tenants. My presentation this afternoon is a combined co-operative submission being made by the following associations, with the permission and approval of their respective presidents. Ours is Graydon Hall Manor at 50 and 100 and 150 Graydon Hall Drive in Don Mills. Also, Mr Loftus is the president of 7 Roanoke Road Tenants Association, 7 and 9 Roanoke Road, city of North York. Not present is Bruce Stewart, the president of the Winfields Place Tenants Association at 745 and 755 York Mills Road, North York.

As you know, the Conservative government brought in rental legislation approximately 15 years ago. We then had a change of government which in 1986 brought in the current Residential Rent Regulation Act. We now have the present NDP government, which finally seems to have put its fingers on one of the main problems, that of the capitalized cost allowances. We could have come to you with a litany of complaints. However, we have chosen to go the route of dealing with specific sections of the rent regulation act, making suggestions for changes.

The subject of rent controls engenders some very strong emotions in many people. However, we realize that to be effective we must be as fair and objective as possible. With this in mind, and the motto of my association, "Without fear, favour, affection, malice or ill will," I wish to present the committee with a series of recommendations supported by facts.

In all fairness, though we appreciate the intent of the legislation brought in to halt abuses in the rental industry by a relatively few landlords, unfortunately its retroactive provisions have caused real hardship for quite a number of honest, hardworking and decent landlords. We do not consider it at all fair or ethical to change the rules after work has been done, except in very exceptional circumstances and we consider it to be a well-intentioned but unfortunate error of judgement.

While it is appreciated that there are a large number of landlords who are responsible and honest businessmen running their buildings at reasonable profit level, while never going to rent review, the unfortunate reality is that there are a sufficient number who are anything but and who give the rest a bad name, cause tenants untold trouble

and costs and bring down restrictive legislation on the innocent.

It is hoped that the following proposals, based on normal businesslike practices, can be incorporated into the new legislation without causing overly much interruption and inconvenience to the honest people. We realize that the basic purpose of any business is to make a reasonable profit, but there is a vast difference between what is going on in the residential rent field and normally accepted business practices.

Where possible, the specific section of the Landlord and Tenant Act and the Residential Rent Regulation Act will be referred to, followed by the problem and thereafter our recommendations.

Dealing with the Residential Rent Regulation Act, subsection 74(4) on page 78, when a landlord desires to file an application for a rent increase greater than that allowed under section 71, he must file at the time of application a cost-revenue statement, together with all documents that he relies on in support of his application.

Problem 1: The current practice of allowing landlords to submit photocopies of invoices and supposedly both sides of cancelled cheques is so wide open and poorly enforced as to invite abuse, errors and outright fraud. Admittedly, there is considerable difficulty in requiring the production of original documents with a rent review application.

Solution 1: We see no reason why the original documents should not be made available for examination, both by the commission members and tenants and their representatives at rent review hearings. The hearings board should be empowered to impound for further investigation the original of any document that appears to have been altered or is suspect in any other manner.

Problem 2: The landlord is only required to file copies of these documents with rent review services. The tenants must pay 20 cents per page to obtain copies of the documentation to make any sensible assessment. Frequently the pages submitted are almost unreadable or are copies of estimates and contracts, not invoices and cancelled cheques in support.

Solution 2: Where a tenants' association exists, representing all or part of the tenants in the affected buildings, the landlord should be required to supply without charge one legible copy of each document to the tenants' association on the same date as he files it with rent review services, together with a sworn affidavit that the package is a full, complete and truthful copy of that filed with rent review. A similar statement should also be filed with his rent review submission certifying that the applicable association or tenant representative body has been so supplied.

Problem 3: Invoices frequently do not specify which building or buildings, suite or suites are involved, making it extremely difficult to ascertain whether work was actually done or redone in less than amortized periods, or where. Cancelled cheques frequently do not bear any reference to the invoices they are paying and invoices do not show what cheques they are paid by.

Solution 3: We submit that to be allowed for consideration, all invoices should clearly state the address of the property to which they refer, where work was performed or materials supplied, where the actual work was performed, such as hallways, garages and, in the case of apartments, specifically which apartments by number. This will help to identify where the same work is carried out repeatedly or in less than the amortized period, such as floor sanding amortized over five years but charged for two or three times within the five-year period for the same apartments. Similarly with painting, which is frequently done over and over in suites with high turnover, but the long-term tenants never get their suites painted.

Further, all invoices and cheques must show the number of the corresponding document on the face of them, clearly identifying whether the payment is in full or in part. No quotations should be allowed to be submitted, though at present they frequently are. They have no place as they are not evidence of an expenditure but only a proposal to expend which may never occur.

Residential Rent Regulation Act, subsection 74(6) on page 78: The minister is allowed to grant extension of time for the landlord's filing of required documents.

The problem with this is that it is totally abused on a regular basis. Landlords are making actually a career out of it every time they go to rent review. Times are extended and extended, resulting in longer and longer delays for hearings to start. The present system encourages the manufacture of evidence and deliberate or inadvertent fraud. It also puts tenants at a severe disadvantage in filing appeals and objections, as they have to repeatedly go to rent review files to ascertain what changes have occurred, and frequently pay for duplicated copies of documents, thus straining their limited financial resources while paying for every single cost incurred by the landlord.

The solution to this would be that there should be only one submission of documents allowed, with no time extensions. If the necessary documentation cannot be submitted in a single package by the required date, then it should not be allowed. The Department of National Revenue does not allow extensions of time to file tax returns. Why should this situation be any different?

Financial statements: All landlords should be required to supply a full and complete financial statement showing the profits, losses and where in fact the money is going. Maybe he has a Swiss bank account. They are required to have these statements for Revenue Canada, banks and financial institutions that they approach for financing. Therefore, the supply of one additional copy when asking tenants to underwrite their operations should be considered normal procedure.

Rent regulation act, section 81, page 80: Costs no longer borne. This section is a total disgrace. It merely requires the minister to consider a cost no longer borne only to the extent of the amount that was previously allowed in respect of that financing cost. The costs no longer borne provisions of the rent regulation act are virtually unenforceable due to the impossibility of calculating the actual figure by which the rents should be reduced at the end of the amortization period.

The problem is that the inclusion of amortized costs within the actual rent causes unnecessary escalation of rents and makes tenants unwitting and unwilling piggy banks for landlords. We will show, by using a hypothetical basic apartment rent and actual rent review award figures for a single award, over a five-year amortized period, the unnecessary escalation of rents and the spectacular windfall for the landlord.

The solution: First it is necessary to define what is meant by "rent," "amortized costs" and "other costs."

Definitions: "Basic space rent" is defined as being the rental of living space plus parking and shall include no other costs whatever. Since appliances are frequently amortized, they cannot therefore be included. Inclusion of utility charges constitutes paying the landlord a compounded commission for providing such services and unnecessarily escalates rents. For our illustration, we have used \$1,000 as the initial monthly basic space rent.

"Amortized cost" is defined as an amortized cost awarded by rent review. We propose that the landlord should only be permitted to charge the actual amounts paid off principle plus interest actually paid in the year, proven by adequate documentation and not be permitted to make obscene profits on the debt due to compounding, which is tantamount to paying him a very healthy commission for getting business for the lender. This is supposed to be a cost, not a free lunch.

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"Other costs" are such items as utilities, cable TV and other services, routine maintenance, etc., fully supported by invoices and cancelled cheques. This will allow the tenants fuller access to information about what they are paying for and how much.

All leases, lease renewals and rent increase notices must show the basic space rent, list all other charges separately, and, where amortized amounts are charged for, the starting and completion dates. Without this type of control, tenants cannot possibly know or keep track of these costs and rents will escalate out of sight in a matter of three to five years.

A brief description of the system we are proposing: Rather than going into complex detail, briefly the main points are as follows—if you wish a detailed analysis, I would refer you to page 8 and tables 1 to 3 of the documentation supplied to you:

We propose that basically only space rent be subjected to annual percentage increases, with all other costs being added in afterwards. This has the benefit of reducing the escalation of rents due to the compounding effect caused by the inclusion of amortized and other costs and, at the same time, prevents the windfall profits as shown in the detailed analysis on table 3.

The present system allows the inclusion of amortized and other costs into rent, which is subsequently compounded by annual increases. In our example of just one five-year amortization being included, rents escalated an additional 10.98% over our proposed system and netted the landlord a windfall profit of 94.1%, or \$693,892.80 on an originally amortized cost of \$737,607.33. I would refer you again to table 3.

Ontario regulation 440/87, sections 64(d) and 65(4): frivolous amortizations. The landlord should be barred from obtaining frivolous amortizations, such as the amortization of his rent review consultant's fees over a five-year period. In the last rent review order for our building, the landlord was permitted to amortize a charge of \$22,200 based on \$25 per suite over five years for his rent review consultant at 12.16%. Surely, if he cannot pay this relatively small cost in one cheque, then he should not be allowed to saddle tenants with the unnecessary amortization costs. It is bad enough that we have to pay for all the landlord's costs as well as finance all our own costs to fight him. Possibly this financed amount is paid to the consultant, who thereby is actually gaining an increased fee, which could be construed to be a percentage of the award, contrary to the Residential Rent Regulation Act section 121 which prohibits him from taking part in any percentages.

Major repair fund: Condominium corporations are required by law to allocate a portion of income to a contingency fund for use in case of major repairs such as new roof, boiler replacement, etc. There is no reason why landlords should not be required to do the same. Many in fact do, as a normal, sensible business practice.

All routine building repairs should come out of the normal income from the rents. A percentage of 5% or 10% should be set aside as a trust fund which would go with the land, that is, were the building to be sold the fund goes with the building and not with the landlord. Additionally, the landlord should not have free and unlimited access to the fund but only for purposes of demonstrable major repairs such as new roofing and only then with the approval of some body such as the rent review commission or, where there is one, the tenants' association.

However, approval may not be arbitrarily withheld and disputes could be readily resolved by application to district court or pre-agreed arbitrator. Preferably, the use of the courts should be discouraged as they are already overburdened and predictably idiotic arguments put forward would be a total waste of the courts' time and an abuse of the process. Possibly the head of the city bylaw enforcement office could have the power to arbitrate and give final and binding approval, as it is essentially a municipal area problem and nothing to do with the province.

Building maintenance costs: In no other business I know of can a business charge its maintenance costs to the client after the fact, yet landlords are permitted to use tenants as a bottomless piggy bank by going to rent review for their costs rather than taking them out of the revenue from rents. This is like buying a car from General Motors and having GM come back a year later saying, "You owe us an additional \$1,000 or so because it cost us that to maintain our plants." It is time to stop the financial raping of tenants by unscrupulous landlords.

Residential Rent Regulation Act, subsections 75(d) and 78(c), and Ontario regulation 440/87: These sections all relate to the fees the landlord can receive for his own labour and management and administration with no requirement to prove that any supervision was ever done or work performed. We submit that should the landlord wish to receive these fees, he should have to prove by way of

time sheets specifying the employee or employees by name, dates and time and places as to where this so-called work was performed.

On one item alone on our last rent review, the landlord was awarded \$60,908.93 in management and administration fee allowances for repairs to the underground parking. On the one rent review order, he received a total of \$207,222.29 in management and administration fees for 18 items. I would refer you to rent review application L-2003-NY which will document that occurrence. Frequently, the work done is substandard and has to be redone due to the lack of supervision and control.

Major projects and capitalized expenditures: We propose that before any capital expenditures are made it be made mandatory to call for competitive bids, and that before such costs can be considered the landlord be required to furnish proof of such bids and the reason or reasons for selecting the particular bid.

Tenants' legal costs: Nowhere in any of the acts is there any provision for tenants to recover all or part of their costs to defend their financial virginity against the landlord. Either the government must arrange some form of legal fund to assist all tenants regardless of the majority income level of the tenants or the whole system must be changed. At present, tenants bear all the costs without recourse, and many times cannot mount a successful challenge as the law is only for the wealthy who can afford it. This is not justice in any sense of the word but law imposed by weight of the chequebook.

Vacancy losses: We constantly hear of the low vacancy rate being caused by rent controls and rent review. This may be true to a certain extent; however, there are glaring exceptions. Currently in our three buildings, with a total of 888 suites, we have approximately 40 suites per building, an approximately 13.5% vacancy rate, due primarily to the high rents, with tenants moving out through the front doors at 3 am, from my own personal observations. We are waiting for the results of our appeal to the last rent review order and still have to fight another application for 1989-90 for 12.6%. Ours are not luxury buildings by any means. However, we currently have, for example, apartments without parking renting as follows: one bedroom for \$933.75, two bedrooms for \$1,079.92 and three bedrooms for \$1,211.07. If the landlord wins his 12.6% increase, that will increase a one bedroom to \$1,098.58, two bedrooms to \$1,215.99 and three bedrooms to \$1,363.66. It would appear that the vacancies are primarily induced by greed.

Claims for vacancy losses should be scrutinized extremely carefully. Possibly they are caused by the landlord and his attitude. We in Graydon Hall have the same landlord as the tenants in the now famous Balliol Street complex where the landlord is now appealing a 29% rent review order on the grounds that it is not enough—I would refer you to the Toronto Star story of 2 January 1991—this, after making unnecessary improvements which were the subject of an expensive and abortive, for the tenants, legal battle and considerable press coverage last year.

Bad debts: Where a landlord claims for relief due to bad debts after tenants leaving owing rent or where a rent review order is received after the tenant has left, there

must be provision in law requiring him to report all subsequently recovered funds and to refund any amounts collected for alleged bad debts which were claimed in prior rent review orders. Our landlord is currently pursuing tenants who left over five years ago and appears to be employing tactics that a licensed collection agency might well be barred from using.

This concludes our presentation. Of necessity, it has been brief due to time constraints. There are many other points, such as taxes and the structure thereof, which can and should be brought forward. We trust that others will do so during these hearings. Obviously, we cannot cover it all.

It is hoped that these suggestions will be taken as given, in the spirit of ensuring equitable legislation for all parties. Our objective in this association is to deal with all matters in as businesslike and as fair a manner as possible, considering the rights of all parties. Any business proposition should ensure that the win-win philosophy is completely adhered to, both parties gaining and no one losing. That may be idealistic, but it is most certainly achievable.

Every reasonable effort has been made to verify the accuracy of any information contained herein, and this report is based on information and sources which the author believes to be accurate and reliable.

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The Chair: Thank you very much. The rotation for questioning would start with the Liberals, then Progressive Conservatives, then government members, if my memory is correct—seven minutes each.

Ms Poole: I would like to thank you, Mr Linnell, for your presentation today. I feel a certain kinship with you, and I suspect it is because we share some experiences with Mr Pieckenhagen, as I represent the Balliol buildings. That is in my particular area, so my sympathy to you for your landlord; with the one you have, it cannot have been easy.

Your presentation has been very helpful, because I think you have tried to take a very unbiased look at what is wrong with the system and how you see it can be improved.

First, you mentioned in your opening remarks your difficulty with the retroactive nature. I gather from this that the provisions of Bill 4 which say that landlords who have put capital expenditures into their buildings should be able to recoup their loss under the current rent review provisions as amended by any—

Mr Linnell: Let me be honest with you. I have not read Bill 4. However, just on basic business premises, I do not see that it is fair legislation to go back and change the rules six months or a year after things have been happening. You have landlords who have legitimately gone ahead, quite frequently with the blessing of various ministries, made repairs which they can now not claim back, and they are in financial trouble. Let's face it, we have some landlords who are anything but plaster saints. We also have other kinds of businessmen, not just landlords. But the thing is, if you are going to stop it, then put a stop date right then. Do not go retroactively. That is not fair to anybody.

Ms Poole: I wanted to ask you a question about the major repair fund. I was uncertain whether this was to

replace a landlord being able to go to rent review for capital expenditures and major repairs or whether it is something that would work side by side.

Mr Linnell: It would certainly reduce very considerably what he would go to rent review for. The object of that would be, say, for major repairs such as replacement of roofs, boiler rooms, if the electrical system of the building had to be replaced—I believe Hydro handles transformers—major things like that. In our building, for example, on the last rent review orders we had \$161,000 for painting apartments, which is capitalized and then amortized. You cannot capitalize painting of an apartment for income tax purposes; that is a maintenance function. What the devil is it doing being amortized? That is totally wrong. The same thing for floor sanding. Mr Pieckenhagen charges, I believe, \$650 to sand an apartment floor. I looked at an invoice recently and the same two apartments appeared in a four-line paragraph listing apartment numbers, duplicated. If the same apartments were charged twice in the same paragraph, obviously somebody did not read the invoice. I did, and I just caught it by a quick glance through.

Ms Poole: I must say that I agree with virtually every single change you have proposed here. I think they are all very helpful amendments. For the major repair fund, just so I am perfectly clear, you see that the landlord would put in a proportion of the rents, 5% to 10%, and this would take care of many of the major repairs, but if there was something substantial beyond this the landlord could still go to rent review?

Mr Linnell: That is correct, the routine maintenance, such as painting of apartments, that type of thing. I mean, if you are running, say, a factory and you want to paint your building, you do not go out and charge your clients for it. You take it out of the profits of your business.

The whole rental industry is a complete bastardization of business practices. They use tenants as a bottomless piggy bank. Recently, for example, it came to my attention that we had managed to have the offices supplied with new furniture. Tenants could not get window repair work done because the carpenter was busy changing the colour of the furniture because the landlord's daughter did not particularly like the colour. We are paying for it. That is going to appear in rent review whether we like it or not, only it is not going to show as that.

Ms Poole: Would you consider these to be provisions that could be brought in as interim legislation or did you have this in mind for long-term or both?

Mr Linnell: Both.

Ms Poole: You see this as a much fairer way of dealing with the current system while the government looks for ways to make the rent review system less complex and to deal with some of the abuses we have seen.

Mr Linnell: Yes. My main objection is that the tenants are used as a piggy bank with no recourse whatever. Not only that, but we have to foot the bill for all the costs to fight these applications.

Ms Poole: I have made a few suggestions in the past about interim legislation, including that there be a cap on the total amount of increase a landlord could go to rent review for, including that the repairs and capital expenditures passed on to tenants is necessary, that there be a provision to deal with deliberate neglect so that a landlord would have to get a municipal building certificate stating that the building is in a good state of day-to-day repair and maintenance in order to even get whatever the statutory guideline is in any year.

Mr Linnell: I think that is an excellent idea.

Ms Poole: The final question I had is something that might work well with what you said. I had a lot of problems with Mr Pieckenhagen, but one in particular was that not only were the rent increases extremely large but I did not feel the tenants got value for money, not only in the type of work done but in the quality of work done; it was very shoddy and in my opinion the result was far worse than what it was before he began. Would you support a provision also in rent review that there be value for money for tenants, that tenants could use this as an argument, that if a landlord such as one we both know and love dearly pays \$65 per metre for carpeting that is wearing out within a year, the tenants could use this as an argument that the landlord should have to pay?

Mr Linnell: Yes, I think so. I think I would like to have a discussion with you and some others off the air on a few points that might be of some help too. We have a common problem, obviously, and I have a solution for part of it.

Ms Poole: Thank you for the solutions you have presented to us today.

Mr Turnbull: This is a very thoughtful presentation you have brought to us today, with some interesting solutions. If I understand your proposal correctly, you would separate out the base rent and then all of the capital expenditures, and any increases in the base rent would be something which was very open and understandable by the tenants. Then, any capital expenditure would be amortized and after that time the rent would revert back to the level before.

Mr Linnell: Yes, basically the problem we have is that when you put an amortized cost into rent, say, in year 1, it is now indexed by the rent review increase. You already have an amortized cost. You are now adding another percentage increase on to that, and at the end of the five-year period you cannot sort it out. But if you have your basic space rent, then you add in the amortized cost, as set. At the end of that five-year period you remove that amortized cost. It is very simple and aboveboard. The other way, ad infinitum the landlord is picking up ever-increasing percentages on something that should have been taken off long ago. It is a total free lunch.

Mr Turnbull: So you handle it as two separate calculations.

Mr Linnell: Totally separate. You have space rent, which is strictly the rent of the space you are occupying plus the parking. Do not include appliances or anything

else. Appliances, as I said, are frequently amortized. You have that rent, which is then indexed by whatever percentage the ministry decides in its wisdom, and then you add in your other costs. Any tenant coming in trying to get a lease can see these amortized costs and say, "Oh, great, in two years' time my rent will go down by \$200 a month," or whatever it is. He will know. Not only that, the landlords are not going to be able to get away with the murder they are getting away with now.

Mr Turnbull: I take it from your suggestion that you would allow a reasonable but not excessive profit to the landlord with respect to his base rent and then there would be no profit from any of the capital expenditures.

Mr Linnell: That is quite correct. Why should he benefit from an amortized cost? In other words, you are paying him a commission for going down to the Bank of Nova Scotia to get a loan. Give him a profit on his space. That is what his building is for.

Mr Turnbull: With respect to the cost of borrowing for major capital costs, I think you mentioned that roofs, boilers and garages would be handled in a separate way.

Mr Linnell: Yes, that is the idea of the fund sitting by itself which goes with the land, so if a landlord decides to sell his building, the fund is still there. It is the same as you have with the condominium corporations. If they sell them, that fund cannot go off to Swiss bank accounts or whatever.

Mr Turnbull: Is there some sort of safety mechanism? Possibly the municipal bylaw enforcement authorities would monitor that the use of those funds was appropriate?

Mr Linnell: Yes, he would have to make application to some body that had a definite piece of control, not just his friendly banker. Possibly you could even allow input from tenants' associations, saying if he was going to try for carpet, that is hardly something that would come under that classification. This would be major things. If you have to replace a roof on a high-rise, that is not chicken feed, but do not try putting shingles on a high-rise roof, as we had on our building at one point.

Mr Turnbull: To the extent that if you had major capital costs in year 1 or year 2 of such a system being in place, presumably in order to get that amount of money the landlord may have to go out and borrow that money and that would be considered part of this fund.

Mr Linnell: Initially there would be a problem with setting up that fund. It has to start somewhere. No chicken was ever born without an egg. There would have to be a sort of a phase-in period, possibly through legislation, allowing time for this fund to build up. But after that time, then the landlord would have to finance it out his own funds, if he has not get enough in there. Let's face it, my basic occupation is computer consulting. I am not a lawyer. Sometimes I wonder who makes the laws.

Mr Turnbull: Essentially those items which you consider would be appropriate from the fund would be, as we have said, the major items such as roof, underground garage, boiler and balconies.

Mr Linnell: Yes.

Mr Turnbull: Okay, good.

Mr Linnell: I do not think we can avoid the underground garage because it is an environmental problem. It is a bone of contention for a lot of people. But let's face it, if we did not use salt on the highway, we would not have the problem.

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Mr Turnbull: Absolutely. Let me change the line of questioning completely. You also mentioned, for high-turnover units that may be painted two and three times within the period that any other tenants' units are painted, that you would handle it in some way, that those high-turnover tenants would probably pay for it, as opposed to the long-term tenants having to pay.

Mr Linnell: The problem I have is that the painting of apartments is allowed under capital cost allowances and it is given an amortization period of five years. We have tenants going out of our buildings at a rather accelerated rate recently. It has got to the point, I believe, where one instruction was suggested of washing the walls instead of painting them. I have not had this put to me as a total fact. It is hearsay. So very possibly I should not even be mentioning it at this point.

However, you have tenants who are very destructive to property. Unfortunately, probably roughly 20% of the tenants will almost totally destroy an apartment. Obviously, it has to be painted. But this thing is now amortized over a five-year period. Let's say you have a tenant moved in and he is gone in a year. You repaint that apartment. Now the landlord takes this to capitalized cost again, in less than the five years. It is a justified expense. He has to paint it, but it should not be capitalized and it should not be amortized. There is a serious problem. You have other tenants, 8 or 10 years in the building, who never get their apartments painted.

The Chair: You have time for one more short question, Mr Turnbull.

Mr Turnbull: At the beginning of your presentation, you said that you felt it was unfair to landlords that the retroactive aspects of Bill 4 should be brought in. Is that correct?

Mr Linnell: That is correct.

Mr Turnbull: What would your advice, as a tenants' activist, be to the Minister of Housing with respect to this bill on that retroactive clause?

Mr Linnell: Let me clarify one thing. I did not expect to be called an activist at any time, but I am not a pacifist. My suggestion to the minister would have been to make it effective as of the date that it was announced, not retroactive. That is not fair.

Mr Mammoliti: Mr Linnell, first of all, excellent report. I see that you have done a lot of work and I appreciate your taking the time to come out here today. Can I ask you to turn to page 6, where you refer to RRRA subsections 75(d), 78(c) and Ont Reg 440/87?

Mr Linnell: Right.

Mr Mammoliti: You go into—I am not going to read the whole thing—"own labour" and you touch on "management and administration" fees. Then you go on to say in the third paragraph, "Frequently, the work done is substandard..." It "has to be redone due to the lack of supervision and control." Are you telling this committee that money is given to landlords and they do not have to necessarily supervise the staff that is doing that work?

Mr Linnell: That is quite correct. If you read the act, the act allows a landlord, I forget exactly the percentage, but it automatically allows him a percentage of the actual cost.

Mr Mammoliti: What does that do to the work? When that sort of thing happens, what does that do to the quality of the work and to the individual who is actually doing the work as well?

Mr Linnell: For a start, one has to question whether the landlord has the technical expertise to really supervise a lot of the work, and 9 times out of 10 he does not. He is usually a bean counter or something like that or an accountant. He is not a technical man in most instances and certainly not in every field of running a building; it is impossible. But when the act allows—I believe the figure was 7.5%; maybe the ministry people can advise us, but there is a specific percentage allowed of the invoice cost to the landlord of the job. He does not, to my knowledge, have to prove that he has actually supervised the work; he does not have to do anything about it. I think it comes about in item 3 on the rent review order listings. You have the basic costs, management and administrative cost on all the labour, and he does not have to do a thing.

The Chair: Excuse me. Could we have ministry clarification on that? I think this is an important point. We will add one minute to the time.

Mr Linnell: The quickest place you will probably find is under 440/87.

The Chair: I think that might answer Mr Mammoliti's question to this point.

Mr Harcourt: Okay, a management and supervision allowance is allowed under the act. However, it is only on construction and renovation. An amount of between 2% and about 15% will be allowed, depending on the circumstances of whether it is done by the landlord or his staff. Also, there must be evidence of supervision.

The Chair: What kind of evidence are we speaking of?

Mr Harcourt: He would have to in some cases show evidence of supervision, that he in fact went around and viewed the construction site, that type of thing.

The Chair: Are these proposals to prove it?

Mr Harcourt: It is subjective. It would be up to the individual decision of the administrator based on evidence by the landlord.

Mr Linnell: It is wide open to fraud.

Mr Mammoliti: I guess that brings me on to my next question, and that is estimates. Somebody is estimating a cost of some sort. What happens there? With no super-

vision, with nobody going out and measuring and whatever, having to make sure that this person actually measured it properly, what can that do to, say, the final price of an estimate?

Mr Linnell: It can make a pretty high estimate and in a lot of cases, there are not competitive bids called. They have their own pet contractors that they use. Quite frequently, these are not necessarily arm's length transactions; it is a cousin or relative or somebody very cosy. You will find landlord repeatedly using the same contractors over and over and over again.

Mr Mammoliti: Who bears the costs?

Mr Linnell: The tenant. Nobody else is the piggy bank in this deal.

1450

Ms Harrington: Mr Linnell, thank you very much for coming. I would like to say that the people in your association or in your buildings are very lucky to have you as a leader, because you put forward the paper very articulately and you certainly have some colourful phrases in there which I wish I had thought of. You are very knowledgeable and in fact what you are saying makes perfect sense. I would like to sort of encapsulate some of the points you made to make sure I have them clear.

First of all, with this document, I think we probably owe you a consulting fee here.

Mr Linnell: I will be glad to accept it.

Ms Harrington: I thank you for all the figures that you have provided here. They will get into the ministry people's hands so they can look at these figures and know what we are dealing with.

You made the point that the costs have been already paid and should no longer be involved in that escalation of prices year over year. That is the point that I hope our staff will certainly take into consideration, your idea of a major repair fund or trust to stay with the building. That is something that I would like our staff to look into.

Then there is the fact that maintenance costs are part of rent. We have to keep repeating that over and over. At least when I grew up, it was common knowledge that that was what you were paying for.

Your concern with fraud is something that I have not been familiar with or dealt with, but I think that is worth looking into.

There is one other point that you mentioned in your report here that I just wanted to dialogue with you about. You say that our government was certainly well intentioned and some unfortunate error is what you term our retroactivity.

I know that this is very difficult to deal with and we spent hours and days upon days dealing with that question at the ministry level. I just want to point out to you that no matter what date we choose, it would be unsatisfactory. If we went back too far, it would be hurting people. If we went ahead too far, it would be hurting people. I want to let you know that as of the date of 1 October, we are still allowing 130,000 cases to go through under the old rent regulation act. That is the dilemma and it was a very difficult choice.

Mr Linnell: I think I know probably a couple of buildings that I am wishing you would not.

Ms Harrington: I see. I just wondered if you wanted to comment on any of my four points. Have I got them straight from you?

Mr Linnell: Yes, you have. My point about the retroactivity is that I have to look at it as if it was my business that I was running too and as if I were dealing with, say, the government. I have been a consultant to your ministry on various particular subjects for several years, and 24 of your high-rise buildings are using the control system that I designed and developed which reduced the building costs and heating costs over \$20,000 per annum per building. I do not know what they are doing with them now, but still a little plug. Pardon me.

Ms Harrington: Oh, very good.

Mr Linnell: Anyway, the thing is that if I had done the job and you came to me after I had done it and said, "Sorry but no thanks"—you know, changed the rules—

Ms Harrington: That is unfortunate.

Mr Linnell: That is dirty pool.

The Chair: The time has expired. Thank you for your presentation.

Mr Tilson: Mr Chairman, a point of—I guess it is a question I have of you. I see the clerk is momentarily away. Bill 4 has received second reading and, of course, it has gone to public hearings, which is why we are here. These hearings are designed to assist us in debating or making some sort of report to the Legislature with respect to Bill 4.

Somehow the Minister of Housing in his comments here yesterday has indicated that on or before 18 February he will introduce a green paper, hopefully on the overall housing policy. The last speaker had an excellent paper. Some of the things I agree with and some of the things I disagree with, but that is irrelevant for all purposes because very little of it had to deal specifically with Bill 4.

There are very serious housing problems in this province from all points of view, not only from the landlords' point of view, but also from the tenants' point of view. We have heard tenants' associations come to us and talk about very specific problems of the housing industry. I think we have an obligation to hear people talk about things, about the housing problem. The minister has also indicated that when he has introduced the green paper there may be more hearings.

I guess I am looking for some sort of thought from you as the Chair on where we are going to go on this thing. Is this a waste of time? Are we really going to have two hearings dealing with the overall housing problems of this province or are you going to be directing speakers, all speakers, to direct their remarks specifically to their submissions on the introduction of Bill 4?

The Chair: I guess I will have more committee members enter this point of order before I comment.

Mr Drainville: I would like to speak very, very briefly on a couple of points. Today there were a number of times when I personally objected to a number of lines of

questioning that were taken on the part of other members of the committee. I was a very good boy today.

Mr Tilson: So far.

Mr Drainville: That is right. Believe me, that may change. The reality is that some of the questions, particularly in terms of ministry officials, were questions that went beyond their role to give a response on. I did not say anything at the time because I thought, "Well, we have to be here. We have to ask questions. Let's try to get as many questions and as much information out as possible." The reality is that no matter which members come here—in fact, I would like to draw attention to Mr Tilson. Some of the questions that he asked today specifically went beyond Bill 4. You, sir, asked many questions beyond Bill 4 today.

Mr Tilson: I do not agree with that at all. My questions—

The Chair: Order, please.

Mr Tilson: But he cannot make statements about—

Mr Drainville: I can, because you indicated so yourself.

The Chair: Order, please. Members are allowed their opinions. We have a lot of work to do today and this week and next week. I understand what members are saying. We want to get through this in the most businesslike fashion that we possibly can. I am going to try to help the committee do that. I believe that we need some latitude from our witnesses and we need latitude from the members.

I do not think that I as Chair could do the job appropriately by being arbitrary in cutting off questions and/or presenters when I think they are crossing some kind of magical line. I appreciate the fact that members realize that and they are going to allow me to continue to do that.

Mrs Y. O'Neill: I would just remind the committee that I asked this very question yesterday. Unfortunately, the minister had left, but I think the parliamentary assistant has indicated that I will get the information. Will the minister provide us with a response to my question? What use or effect or input will these hearings we are now having on Bill 4 have on the green paper that we are going to have?

I want to try to determine in my own mind, as I presume other members of the committee do, the relationship between what I now consider are really two sets of hearings which no doubt are going to overlap, which no doubt are overlapping in the public's mind in the province of Ontario. I guess what I really hope is that the minister in forming the green paper is really actually doing a daily review of what we are doing in this committee since one is so back on back on the other. Anyway, I leave that for his decision.

The parliamentary assistant, Ms Harrington, has told me that she thinks that this is possible. Perhaps then if that answer coming back to this committee is not satisfactory, we could re-examine this issue at that time.

Mr Mammoliti: In response to Mr Tilson, yes, we are dealing with Bill 4, and yes, the discussion has gone a little bit beyond at some times, even from the committee members. I think that is pretty healthy to a degree. I think if we

had a speaker talk solely on the long-term goals, the long-term solutions, then we could perhaps say something about that. But if somebody has some input that he would like to give to this committee, certainly it is pretty healthy. I would say to continue that leeway, Mr Chairman.

1500

Mr Tilson: Mr Chairman, on that point, I am not averse to going, as you have obviously allowed, beyond that area of Bill 4. But I do just remind the members of this committee as to why we are here. We are here to have a public hearing with respect to legislation that is before this Legislature, namely Bill 4. There may or may not be another time—so far I have not even seen this green paper. The minister has said one is coming, and obviously one must come, with all of the problems that this housing industry has.

The last speaker, for example, has not even read Bill 4. I am not saying to take away from the very useful remarks that he made, but I think it is evident that the perception the public has is that they are coming to us to talk about the housing problems in this province, and there are many. I would hope that the people who are coming to speak to us will deal specifically with Bill 4. To do that, they will have to go beyond that.

We are concerned with time factors. The government people have put very strong restrictions on how much time can be spent in these hearings. They say we must get into the green paper, which does not even exist. I simply ask, Mr Chairman, that the members of the committee remember that why we are here is to listen to recommendations on Bill 4, and hopefully you are right. Not only members of the committee but people who are coming to address us will remember that as well, because we may be back at it in the summer, if I listen to the minister.

Ms M. Ward: I would agree that what we are hearing in a lot of the presentations and in our questions are topics that we, or another group of people on the same committee, may well be dealing with later on in the hearings on the rewrite of the legislation. You have a point that we are not restricting it to Bill 4, but I think it is background information that we need to consider in order to help us understand why we are now looking at Bill 4. It is leading up to the necessity for Bill 4. Some of the presenters this morning, that was the approach they were taking. They were saying, "Yes, we support Bill 4," and they were going into the reasons why they supported it, the problems that they saw in the rental industry that necessitated Bill 4.

I agree you do have a point, but I think we are going to have to accept duplication in order for the public to present its views and for us to understand the necessity.

Ms Poole: I feel somewhat uncomfortable in continuing this debate, simply because we have nine presenters waiting for us, and not to take away from any validity to the points being made, I would suggest that if members have substantive things to bring up, perhaps we can advise the Chair so that the Chair can ask us to meet 10 minutes before the next set of presenters so that we are not holding up the people who are waiting.

Mr Tilson: Having heard the government's comment to my remarks that it does acknowledge that we are getting into the green paper area, hopefully this committee will expand the time being spent on these hearings to allow for questions dealing specifically with Bill 4. There are a lot of people who wish to speak to this hearing who are not being heard. Having heard your admission that we are getting into the green paper discussion which has yet to be introduced, I hope the government will reconsider its position and extend these hearings.

Mr Turnbull: My position is exactly the same, in the sense that we argued long and hard to have these hearings lengthened, and to the extent that yes, Bill 4 and the proposed subsequent legislation interlock, then I understand that a lot of the presenters want to be speaking essentially to both pieces of legislation at the same time. However, since we are allowing them to do that, then let us at least encroach into the time that has been for the green paper to allow a full and open discussion.

The Chair: I do not think that the extent of the questioning or the information we have received from the presenters strayed enough from the main text of Bill 4 to cause an intervention by the Chair. I believe that the questions from the committee members, while maybe at a point or two could have been challenged by myself, the result would have been points of order and challenges to the Chair, which would have eaten far more time than the quest for information made by the members. I believe that if I had interrupted the presenters arbitrarily because I believed they may have overstepped the contents of their presentation, it would have been extremely rude of the Chair to do so and would have given the wrong impression to the public. I believe that from the experience I have had sitting in committees, watching committees and participating in committees, we pretty well have been on track.

I know what the pressures are on this committee. This committee, by vote, has decided to take on the most onerous schedule that I have seen in the last 16 years. That is one of the problems in this committee. You, ladies and gentlemen, have decided to do that and we must proceed.

Thank you for listening and let's proceed. Unless there is a further point of order on a new matter, we are going to proceed.

FAIR RENTAL POLICY ORGANIZATION OF ONTARIO

The Chair: Julius Melnitzer, you are representing the Fair Rental Policy Organization of Ontario. You have 20 minutes to make a formal presentation to the committee and then we will divide up 20 minutes among the committee members for questions and answers. Please proceed.

Mr Melnitzer: I thank members of the committee for allowing us to proceed. I am Julius Melnitzer and I am the chairman of the Fair Rental Policy Organization. Fair Rental is an organization of people who build, own, manage and finance rental apartment buildings. As we represent 1,000 members and 200,000 units, almost 20% of the province's rental stock, we feel uniquely qualified to put forward the views of the landlords.

I feel a particular responsibility in looking through the agenda for this committee because I note that although the landlords are the people whose rights are being affected by this legislation, this committee is only going to hear from eight landlords or landlords' organizations.

The organizations this committee has left out include perhaps the most influential representative of small landlords besides Fair Rental, the Multiple Dwelling Standards Association.

The Chair: Order. With all due respect, I do not believe we have left anybody out yet. We are continuing to work on an extensive schedule. I spoke with the clerk this morning on two separate occasions and we are expanding our schedule. We have expanded hours on Mondays. We have expanded hours on Tuesdays, Wednesdays and Thursdays. We are going to have evening sessions to accommodate people who cannot come in during the day, so I do not think anyone should say to this committee at this point that we have left anyone out. I just want to have that on record.

Mr Melnitzer: Perhaps I should have put it that in revealing the agenda at the point in time I noticed that, to date the organizations that are not on the agenda include the Multiple Dwelling Standards Association, which has been in existence since 1970 and represents 52,000 units in Ontario, and the Hamilton and District Apartment Association, which represents 40,000 units in southwestern Ontario.

You have our brief. I am here to highlight it in 20 minutes and to answer your questions about it.

It really aims at three things: first of all, to state the facts as they are and to dispel some widely held myths; second, to demonstrate that Bill 4 is an over-reaction by the government and is indeed destructive of the goals the government claims to advance and, third of all, to offer some reasonable alternatives which will address the legitimate concerns of all Ontarians, and tenants in particular, without the devastating effects of Bill 4.

1510

What are the myths? First of all, that very large increases of 100% and greater are a common problem in the province. What are the facts? Eighty-six per cent of Ontario's 1.2 million rental units received increases averaging less than 5% over the last two years. Less than 1% of the rental units received increases of 30% or more. Only 7/100 of 1%, 84 apartments out of 1.2 million, are in the 100%-plus category.

It is the last category that gives rise to myth number 2, that large rent increases are invariably the result of greedy landlords ripping off the system. The reality is that most large rent increases are a combination of two out of three factors: first of all, extremely low base rents, in some cases rents as low as starting at \$40 a month—if it goes to \$80, it is a 100% increase—second, structural deterioration due to aging and, third, small building size, which makes economies of scale impossible when you do capital improvements.

If you turn to page 8 of our brief you will see an example of this myth. Page 8 tells us about Mrs Carpenter.

She has a 14-unit building in Sudbury that is 75 years old. It is desperately in need of major improvements, including a roof, plumbing and flooring to replace wood so rotten the ground showed through in several places. Mrs Carpenter borrowed the money to complete the work and got the increase to which she was entitled, which was 150%. Some people would say that is an economic eviction; others would say that takes the rent to \$400 a month which is \$100 below market level. But the optics of the thing are 150% and it is the optics, not the reality, that give rise to the myth.

Myth 3: Capital improvements are just luxury renovations carried out to justify higher rents. Again, ladies and gentlemen, I say to you that this is a situation where a few isolated examples have created widespread misconceptions. The vast majority of capital improvements are necessary and far from luxurious. These improvements are the most expensive type of improvements and account for most of the capital-related rent increases. They are such things as concrete repairs to balconies and garages, replacement of plumbing risers, exterior cladding, roof replacement, electric lighting upgrading, replacement of single-paned windows. These are the capital expenditures that constitute the vast bulk of applications under the Residential Rent Regulation Act. They are not luxury at all.

Myth 4: Capital improvements would not be required if landlords performed regular maintenance. That makes no sense, ladies and gentlemen. Can you keep your car for ever if you maintain it on a regular basis? You can no more keep a building in that way. Normal day-to-day maintenance cannot stop the effects of aging and weather. The public housing stock has exactly the same problem of capital expenditures as private housing, so to characterize capital expenditures as some insidious landlord plot to raise rents is ridiculous.

Let me, if I might, turn you to exhibit 6 in our brief, page 9. It is the Preserve or Perish study done by the city of Toronto, hardly a landlord organization. On page 9 of that exhibit, in the middle column of the page you will see the following, and it is quoted in our brief:

"Though conservation may, in due course, cost hundreds of millions of dollars, it still appears to be the most economic method of maintaining the existing supply of affordable rental housing. The cost of conservation of existing buildings will be several times lower than the cost of replacing them by new ones, despite rent increases that may be required to offset the amortized costs of rehabilitation. Post-conservation rents in existing buildings will most likely still be substantially lower and more affordable than rents in new buildings."

That is from the city of Toronto, ladies and gentlemen.

Myth 5: Landlords do not need extra rent increases to do major repairs and renovations because this is provided for in the rents already. Would you turn with me to exhibit 8. Exhibit 8 is the cost index. It is those elements that comprise the annual statutory guideline. Take a quick look. There is nothing there for capital improvements. That is why both landlord and tenant representatives endorse the

idea of a justification system for major capital improvements. That makes common sense. Let me explain why.

If a landlord upgraded all the balcony railings in a building, which is hardly a luxury, a yearly rent increase of 5.1% would be required just to get the cost of the balcony railings back. In the previous year, with a guideline of under 5%, how could he possibly pay for that one capital expenditure out of the allowable rent increase? Mathematically, economically, as a matter of common sense and as a matter of reality, that myth is unsupportable.

Myth 6: The flipping of apartment buildings has been a common occurrence which has been fuelling large increases. Where are those numbers? Has the government put them before you? The only objective source is the city of Toronto study, which you will find referred to on page 18, exhibit 1 of our brief. It found no evidence to support the contention that multiple sales are widespread. Rather, they are isolated instances. Only 172 of some 1,500 sales represent buildings sold more than once during the period of the study.

The same study by the city of Toronto pointed out that limitations on the resale of buildings would have unintended harmful effects on small mom and pop landlords by preventing them from selling their property at retirement.

Myth 7: Apartment owners do not need rent increases for capital or financing costs because those can be absorbed out of their excessive profits. This is not true. A large percentage of landlords are small businessmen who own a few rental units as a long-term investment. Many of these buildings would show losses if the sweat equity of the people who own them was treated as an expense. Even in larger buildings, the myth of excessive profits does not bear out.

I ask you to look at the minister's own study done in 1989. You will find that at exhibit 9, page 70. At the top of the page, "Return on equity similarly declined from 7% to 8% in the 1970s to 3% to 4% in the late 1980s, and inflation adjusted or real return on equity indicates a significant decline from 4.5% in the early 1970s to 2% in the late 1980s." Those returns of 7% to 8% are less than the 11% that the NDP complained was an insufficient return on government-managed pension funds, if you want a point of reference.

1520

Those are the myths. I would like to say something about the government's response.

First of all, Bill 4 does nothing in the short, the medium or the long term to address the issues of affordability or rental supply. It aggravates them, because the housing stock will deteriorate. The government's Bill 4 is not reasonable. It is not fair. It is not properly targeted.

One of the greatest elements of unfairness in this bill is the retroactivity. This retroactivity punishes the people who have lived by the law and believed in the law. People who have done work, paid for it, borrowed for it, mortgaged their homes, are now being told they cannot recover the cost and repay the loan, as the law of this province as it existed at the time they did the work promised them they could. These people have no place to go to pay back their lenders or to replenish their savings.

This is not just unfair; it is offensive to anyone with a basic belief in the rule of law and the democratic process and should be anathema to a government with a long history of support for civil liberties. The myth here is that only landlords doing work after 1 October 1990 are affected. That is the optics. That is the public perception. Nothing could be farther from the truth.

As far as capital goes, any work done no matter how long ago it was undertaken is affected if the landlord did not apply by July 1990. So if he started his work in June 1989, finished it in August 1990 and applied, he is too late for the money he spent in June 1989. The rules have changed on him that far back.

To make matters worse, a landlord who received an order as far back as 1987 which included future phase-in cannot have those phase-ins implemented after 1 October 1990 even if the phase-in had already been approved by as high a body as a court. So this legislation is in fact potentially retroactive to 1987 and can affect virtually any order issued under the old legislation.

The numbers we got from the Ministry of Housing are that this affects 1,570 applications, representing 91,000 units. In 275 of those cases the landlord already had an order. This legislation does not go back four months; it goes back four years. It is the most draconian bit of legislation ever introduced in the province of Ontario so far as retroactivity goes. These are not just numbers; this affects real people.

I would ask you to look at our brief, pages 20 to 22. In that brief you will see a number of real-life examples of people who are affected by this legislation.

First of all, Mr Herman, who started work on a 70-year-old building with the encouragement of the city of Toronto and the Ontario government. The work was completed in the fall of 1990. He cannot get his money back.

Mr Pemberton, who is a carpenter, relied on a conditional order, which this legislation voids, and went ahead and did some work with his partners in a 75-year-old building. He got assistance from the government under low-rise rehabilitation. He cannot get his money back. On page 22 you will see that this man mortgaged his house. I am running a little short of time, so I am going to skip the other examples.

In fairness to the people of this province and out of respect for the Charter of Rights of this country, we are asking this government to refer the bill to the Court of Appeal—under the Courts of Justice Act only the government can do this—so that a non-political court can tell us once and for all just how wrong this legislation is.

If not, the government will be facing a constitutional attack brought by a private citizen over this bill. The government will also be facing an attack based on the instructions it has sent out not to proceed with applications under the old law while this law is being discussed, thereby usurping the function of this committee and the Legislature. It is an arrogant appropriation of power and a subversion of the democratic process. This legislation is not targeted. It has no sense of proportion. It uses a neutron bomb to swat a gnat.

I would ask you to consider alternatives which control the real damage here. Those alternatives include a cap on the size of rent increases attributable to capital expenditures and simple regulatory changes, like the multi-year plan implemented in 1990 by the Liberal government to spread the cost of capital expenditures. Regulatory rules could also be used to restrict those selling on a short-term basis.

Bill 4 will impact on every Ontarian in its present form. Tenants suffer with landlords from restrictive controls. Their homes will be affected. They will be inconvenienced and this bill will ultimately result in higher costs as improvements are delayed and become more costly. As a result of Bill 4, jobs have been lost and will continue to be lost. When Mr Cooke says that no jobs have been lost as a result of this legislation, he is questioning the integrity of every worker who protested at Queen's Park on 10 December. Fair Rental's own survey indicates that \$500 million in work has been suspended, putting 16,000 jobs at risk.

Bill 4 is the new regime's first piece of business legislation. It is a message to all who listened to the Premier and waited to see if his actions corresponded with his words. This legislation is a betrayal of the promise of consultation, partnership and co-operation with the private sector. The investment community is watching and listening and the passage of this legislation in its present form will colour the relationship of the province with the financial community from year to year. The retroactivity, in particular, is abhorrent, because it means that there are no rules and where business finds no rules, there will be no faith.

We would ask you to implement the following five recommendations which are all at the back of the brief:

1. That the government should seek a reference in the courts to determine the constitutional status of this new law.
2. Reject Bill 4 in favour of a public consultation process to develop new long-term rent regulation by January 1992.
3. Address concerns over large increases by placing a 5% cap on rent increases above the annual guideline for capital improvements.
4. If luxury renovations remain a concern, address them with regulations defining types of work for which prior rent review approval is required.
5. If multiple sales remain a concern, institute a prohibition on qualifying for financial loss where a building has been sold within the previous five years.
6. Reject retroactivity in all its forms. Any new restriction on capital improvements and financial loss should apply to work commenced or legally contracted after 28 November 1990.

Thank you for your indulgence.

1530

The Chair: I believe we are starting with the Progressive Conservatives. First, Mr Tilson.

Mr Tilson: The percentage increases allowed by Bill 4 are specifically 4.6% and 5.4% for the two-year sug-

gested moratorium. Would you comment on what your organization feels about those percentages they are allowed.

Mr Melnitzer: Those percentages leave absolutely no leeway to do anything but minor capital improvements. They are going to constitute a severe impediment to any conservation, capital work, repair. In one year it is going to create a significant deterioration in the housing stock in this province.

Mr Tilson: I guess that leads to my next question. Obviously your organization deals with a large number of landlord organizations and you obviously talk to financial institutions, people dealing with that subject, not only landlords seeking loans, I suppose, but general investment from within and without the province of Ontario for the purpose of creating new housing stock, which you have referred to, and you indicated there will be none. With the conversations you have had from within and without the province, what will be the effect on investment in the province of Ontario, dealing specifically with the retroactive cost?

Mr Melnitzer: In my view, Mr Tilson, and I base this on conversations with investors both within the province and outside the province, any capital aimed at this industry will completely dry up.

Mr Tilson: What sort of long-term estimate is that? I guess we are talking about general confidence in the province of Ontario.

Mr Melnitzer: Mr Tilson, this is the first piece of business legislation in this province. If you sat through, as I did, the hearings of the Thom commission, which is probably the most objective study of rental housing in this province, and if you read the brief you will see that this kind of legislation will hurt investor confidence throughout the industries, the manufacturing here in Ontario, throughout, because it is a signal of the way the government wishes to proceed.

Let me put it this simply. If someone were to come to me, I would tell him Ontario is a wonderful place. I would want him to invest here because I live here and so does my entire organization and we want it to get better and we want it to remain strong. But if they ask me, "What's the government doing?" I would say to them: "We were promised consultation. We had one meeting with David Cooke and it was a sham."

Mr Tilson: Could you elaborate on that.

Mr Melnitzer: There has been no continuing consultation whatsoever. There has been no sign of any true appreciation of the facts. There has been no sign of compromise. I have read Bill 4. I read it as a chairman and I also read it as a lawyer and there is no evenhandedness, no attempt at fairness, no concern for the long term in it.

Let me give you an example. Tenants can spread out what they have owed the landlord for years. They have now got 12 months to spread it out. But a landlord hit up with a rebate application has to pay the money back in 60 days. Now that is a relatively smaller part of the bill. It is not very public. But to me sometimes when you do not look at the—you know, what everybody is talking about—

but look behind it, sometimes you see the thinking behind it. That is a perfect example to me of the lack of consultation.

Mr Tilson: It would appear that this legislation goes far beyond the restrictive control legislation of such places as New York, where there have been vast slums created—statistics show that—where landlords literally walk away from their buildings because of many of the things that you have spoken of. Do you have any additional information to share with us on that subject?

Mr Melnitzer: I do indeed. This legislation is indeed more restrictive than virtually anywhere in the world, this piece of so-called interim legislation. The city of New York is the largest landlord in North America, and a substantial percentage of what it owns is buildings that it has taken over as a result of landlords walking away. Let me say that the fact that this is interim legislation is of little comfort, because the history both in this province and throughout the world with this type of regulation is that nothing is interim. It tends to ossify, to become hard and to become permanent, and that is perhaps because of the political realities.

Mr Tilson: Mr Turnbull has a question, but I will just comment on that. There is no question that when rent control legislation was first implemented it was supposed to be interim. Mr Turnbull has some questions too.

Mr Turnbull: Mr Melnitzer, could you comment on how many of your owners have a single building.

Mr Melnitzer: I can tell you that about 80% of them are what you would call small landlords, and we define that as a single building.

Mr Turnbull: Is that very often their life savings, the investment in that building?

Mr Melnitzer: In many cases it is all of their life savings.

Mr Turnbull: And are you at this stage aware as to the posture of financial institutions in terms of replacing mortgages on these buildings as they become due?

Mr Melnitzer: If I can give it to you directly from one banker's mouth—whose name I do not have permission to repeat, so I will not—there is not going to be any more money for housing.

Mr Turnbull: What will be the effect of this?

Mr Melnitzer: Well, the effect of this will be that bankers will become the landlords of this province.

Mr Turnbull: To the extent that these have reasonable size of mortgaging on them, will there be sufficient value in the buildings if the financial institutions have to take them back?

Mr Melnitzer: Our documentation includes a study done by Professor Muller of McMaster University. He is the economist who testified at the Thom Commission. He believes that conservatively the loss in value in the buildings will be 26% to 30%, I believe. Perhaps it was 26% to 28%. That will put many institutions in a position where a building with less value is going to have less cash flow, the

mortgage will not be able to be paid and the institution is going to have to take it back.

Mr Mammoliti: I would like to just touch on what, and reflect on why, Bill 4 came about. I am sure that you realize and that you care that there is a crisis out there. People are literally being forced out of their units because of rent increases that they cannot afford. Sir, I would like to ask you whether you care about that. Do you as an individual, and as a person who is representing a number of individuals today, care about the fact that people are being forced out on the street?

Mr Melnitzer: Mr Mammoliti, I care very much. Just because I represent landlords, I am not any less a human being, and I am not a criminal.

Mr Mammoliti: I did not say that.

Mr Melnitzer: Mr Mammoliti, I care very much. That is why I suggest that what the government do are the things that will help the tenants of this province who need the help now, in the short term, do the things that will help them in the medium term and help them in the long term. Because, Mr Mammoliti, what we suggest ultimately is that what we have here is an income problem, an affordability problem that you deal with by way of a shelter allowance. We also realize that your government needs to do something now and we have made certain suggestion which will help those tenants who are genuinely in need of help by keeping a cap on the rent increases.

Mr Mammoliti: What have you done as a landlord in the middle of an application? What have you done to communicate with the tenants in your building, to let them know exactly what could happen and the increase that could happen? What have you done to communicate with them? What have you done to let them know? Is there an avenue they can go to at any time to spill their guts per se?

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Mr Melnitzer: Sure. Let me tell you that I think I am uniquely qualified to answer that, because I represent many landlords in application. Let me tell you the process for capital expenditures. I am not saying this happens throughout the province, but I assure you that it happens in the majority of cases where decent advice is given. Generally landlords try to talk to their tenants and tell them what is happening and explain what the situation is, what the rent is going to be, why the increases are necessary. If you ask me why landlords do that, let me tell you. They do it because if they do that, and if tenants, most of whom are reasonable people—as are landlords, I believe—understand, generally things go through the process more quickly without confusion and without acrimony. So it is in the landlord's interest to communicate. They do not all do that, but most of them do.

Mr Mammoliti: How many of your tenants have been forced out?

Mr Melnitzer: None, as far as I know, in the building.

Ms Harrington: Thank you for coming. We certainly wish to hear all points of view. Therefore, we are glad you are here. I do wish you could have heard some of the presentations we heard earlier today and yesterday. With

regard to the idea of caring, obviously you would not be here and present us with this marvellous document if you did not care. I think that is evident.

We obviously do not agree on many issues, but I do want to put a few things forward that we may be able to dialogue on at a future time. First, the ministry does believe that Bill 4 is a breathing space only. I want to emphasize to you that there is extraordinary effort put forward by the ministry, the Legislature, this committee, to make sure we move from this interim legislation into long-term legislation. As you know, the sunset for this bill was to be January 1993—not the sunset, but to get it accomplished by that time. We want to put that back to January 1992, which is most extraordinary, to try to do it all within a year, because we want to consult. I know you have heard that word at least 100 times, but let me just say that I do want to work with you on consultation, with all of your points of view from your organization and the other landlords, because landlords are a part of this whole situation and part of the solution.

Other things you are saying that I am trying to understand, and I do—I am glad you recognize as a problem the luxury pass-throughs you mentioned and are saying there should be a solution for that. You also mentioned that there could be legislation or regulations to stop flipping. I am glad you recognize that—we have some common ground—and the fact that you say business wants the rules; if they do not have rules there is no faith with the government. We recognize that as well, that there has to be a climate of understanding.

The other concerns you had with regard to higher costs in the long run: the longer this moratorium is in place the higher the capital costs coming out of it, when work, as you say, is going to be postponed. We recognize that and the pressure is on. You are also concerned about jobs being lost. These are certainly our concerns, as people and as politicians and people of some position of power in this province.

Other than that, we probably do not share a lot of common ground, but I think we do share some.

The Chair: You have about 30 seconds to respond, if you wish.

Mr Melnitzer: I did not hear the question.

Mr Tilson: Maybe you should ask the Chair to repeat it.

The Chair: The Chair thought he heard the member say there was common ground between herself and the presenter. Maybe the member was waiting for the presenter to say, "Yes, there is some common ground between us."

Mr Melnitzer: Might I just say that the presenter did not say that.

The Chair: You lost your chance. Mrs O'Neill and Ms Poole.

Mrs Y. O'Neill: Thank you very much for what I consider a very complete, accurate and well-presented document. We do know it is on behalf of landlords who, I agree with you, are for the most part reasonable people, people who have a stake in this province and I think a stake in the

social wellbeing of the human beings who happen to be lucky enough to live in Ontario.

You made a couple of statistical comments. Maybe I did not move quickly enough through the document to be sure I heard the right thing, so that is what I want to verify with you, and I want to make one other statement. I heard 1,500 applications, 91,000 units.

Mr Melnitzer: Yes.

Mrs Y. O'Neill: Could you put that into context again for me, please?

Mr Melnitzer: Yes. That represents the number of applications on which orders have not been issued and applications on which orders were issued in which either work was done or the transaction completed which could be affected by the retroactivity.

Mrs Y. O'Neill: Another word than "could" might be "likely."

Mr Melnitzer: That "will" be affected.

Mrs Y. O'Neill: They will be for sure. They will not fall into this other category where there are going to be extraordinary allowances. Is that correct?

Mr Melnitzer: That is correct. Might I say that this extraordinary allowances is a bit of a myth. If you look at the government's own tables, an extraordinary operating cost increase is a very rare type of application and is in fact a very small component of the average increase. It is right in the government document.

Mrs Y. O'Neill: Very, very confined to its coverage. The other statement I think you made was that no applications are being accepted at present. Is that your experience?

Mr Melnitzer: A letter has gone out from the Ministry of Housing, I have seen this letter because it has gone to clients of mine and members of the Fair Rental Policy Organization. This letter says: "We're not going to proceed with any applications under the old legislation"—this went out before Christmas—"even though the new legislation has been passed. We're putting a hold on everything." In other words, the law is not the law even while it is the law because Bill 4 is going to get passed. It is illegal.

Mrs Y. O'Neill: I am having a great deal of difficulty with this, because I have had people in my constituency office telling me the same thing. I am not sure that is what I heard this morning from the ministry officials. In fact, I am sure I heard the other, that work was proceeding. If you remember, I actually asked that question. What I was told at that time, I think, was that the applications were being received to see if they did fall under the extraordinary. I feel this committee has to have that information. As a member of the committee, I requested of the ministry officials that we have in writing, if possible, what we are doing at present regarding the applications that are being presented or applications requesting to be presented. I think the people of this province have a right to know that.

The Chair: The Chair is going to assume that ministry staff who are here will take note of your request and that the information will be forthcoming in the most reasonable time frame.

Mrs Y. O'Neill: I think a reasonable time frame is tomorrow, because this is happening today and it has been happening since before Christmas. I think it is very pertinent information. I feel I have to be able to give correct answers to my constituents. Is there a procedure going on or is there not?

The Chair: I would ask ministry staff to note the request.

Mrs Y. O'Neill: My second comment is that I, too, have a great deal of difficulty with retroactivity in legislation, temporary legislation also. I happen to look every day at temporary buildings that were put up during the Second World War in Ottawa; they are still there being used by civil servants every day.

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In government, often the legislation has been a case of grandfathering, when people get warnings and people who have made commitments are protected. Certainly that has been the general way in which legislation that was going to change behaviours and status of people had been presented. I, too, have a great deal of difficulty and I am glad you have explained that effect as well as you have. Thank you very much.

Ms Poole: Thank you for your presentation today. This morning we had statistics from the Ministry of Housing which showed that of 1.2 million rental units in Ontario, one million of them were owned by the private sector. Obviously you are a very important and major player.

The parliamentary assistant just moments ago called Bill 4 "breathing space only." I would like to ask you: If Bill 4 is passed in its present form, will you trust government again?

Mr Melnitzer: No. It is suffocating space, not breathing space. No one will trust government again. How will any investor believe that the next time a newspaper prints a story that someone, perhaps quite legitimately, has had a hard time with his rent, the government will not again introduce legislation that is retroactive? The studies that have been done of investor confidence indicate that this kind of thing—and it is all in the records of the Thom commission—are tremendous incentives not only to a lack of investment but to disinvestment. It is not I. I am a spokesperson. It is the people out there, the bankers, the capital markets of the world. Ontario is just one market in the capital markets of the world. They will not have any confidence in this place, because there are too many other places where you can have confidence.

Ms Poole: One of my concerns is that if the government loses credibility in the housing area, then other options for affordable housing will be lost. For instance, last fall FRPO made a proposal to the government to provide subsidized spaces for 20,000 units. I believe it was, which would certainly alleviate a major portion of the waiting list of subsidized housing and would be far more cost-effective. Can you see that type of proposal going on if you do not trust the government?

Mr Melnitzer: Absolutely not.

The Chair: I want to thank the presenter for his information, for taking the time to join us today. We are going to move right along, as we are behind schedule.

BRIAN TIMMONS

The Chair: I believe Brian Timmons is next on the agenda. Would the presenters please identify themselves for the record, the organization, if any, they are representing and the positions they hold within that organization. The presenters have 20 minutes in total, 10 minutes to make a presentation and 10 minutes for questioning.

Mr Timmons: I am going to do you a favour. I am not going to give you nearly as much to read as the previous presenters did nor am I going to give you a lot of statistics. I am simply here representing myself and two other investors who, about two and a half years ago, purchased a 15-unit apartment building in Toronto. I am going to relate to you the experiences we have had with the building and the effect this legislation is likely to have if it is passed in its current form on our situation. We are speaking only for ourselves. I think you will see that there is some repetition from the stories of woe we are going to present to you, but in this particular case I want you to understand that we are not members of any large organization. We are just small, individual investors. We have not consulted with any of the larger investors. In fact, in the previous discussions I was surprised to hear that we were one of eight landlords who had, to this time, been allowed to present our views. I hope you have a copy of my brief. It is not long. It is fairly focused, I hope.

While I could debate the wisdom of rent controls at all or rent controls as applied in this province versus rental subsidies on a need basis, or while I could focus on financing costs associated with the purchase price of buildings being included in the 1986-based formula, or the economic effects of the renovation industry on job creation or job loss, I have decided to limit my discussion to the moral and ethical considerations of the retroactive component of the proposed legislation and to the feature dealing with the return on investment for capital improvements.

Background: Three people, myself and two others—one person is John Cranfield, who is my partner in this venture—diverted retirement savings and formed a partnership in June 1988 to purchase a 15-unit apartment building in Cabbagetown. The objective of the purchase was a long-term investment to supplement our retirement income, since two of the three people were essentially self-employed.

The building is 70 years old. It was built in 1920. That was verified by the city of Toronto planning commission. It is structurally sound and has been reasonably well maintained. We knew the building would require upgrading in time, based on a condition report we authorized prior to the purchase. The plumbing and electrical systems were reaching the end of their life expectancy. The roof would require replacement within a few years. Continuous interior plaster repairs were expected, as loose plaster was evident. The heating system was inefficient but reliable. Single-pane, ill-fitting wooden windows would require replacement to provide better energy conservation, freedom

from draughts in winter and better ventilation in the summer. Refrigerators and stoves were old, and we expected frequent repairs and anticipated major failures.

We operated the building for approximately 18 months. In December 1989 we summarized our experiences in a newsletter to the residents—attachment 1. We outlined a proposed course of action and asked for their feedback, including agreement on the proposed repairs as well as help in identifying other items not mentioned in the newsletter; that is also attached. The latter information was incorporated into our capital improvement plans. The stated objective in that letter to our tenants, 29 December: "The capital improvements we anticipate are designed to extend the useful life of the building while maintaining it at midrange accommodation. At the same time, we expect to reduce the operating costs and improve the liveability of the building." We advised the residents that the rent would increase but that we could not be specific about the amount and explained why we could not, that is, that the number of units which would become available and the category of expenses involved as per the existing legislation prevented us from being specific in terms of the extent to which the rent would increase.

In January 1990, we started redoing the units as they became available. Each completed unit was offered to existing residents if they wanted to upgrade their living accommodations. We did all the fundamental work replacing lead and rusted galvanized plumbing, repairing and upgrading wiring in the bathrooms and kitchens, as well as improving the overall unit lighting. In addition, when kitchen cupboards were replaced, additional storage and counter space was added, along with more energy efficient, safe and reliable appliances to accommodate today's expectations.

We kept most of the bathroom fixtures, changing only the plumbing, which had deteriorated over time. In addition, along with improving the fire safety system, we also improved the interior and exterior lighting to the building for tenant safety. While the structural integrity of the building was good, we did have to parge the parapet wall around the roof, which had deteriorated badly and was becoming structurally unsafe.

We installed a more reliable and responsive thermostat. We redid the laundry room, including the replacement of an unreliable washer and dryer. We took advantage of "factory second" items, quantity discounts and discontinued items where we could through extensive firsthand shopping. We redid six units by June.

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In November 1989, I contacted the city of Toronto representative for the low-rise rehabilitation program. Acceptance under this program would have allowed us to achieve our objective while at the same time minimizing the cost which would be transferred to the residents. I was advised that if approved, grants had to be spent within three to four months or within a specified time. I explained the right of tenants and that I could not guarantee compliance with this requirement. They discouraged me from applying. In February, I again contacted them and was advised that there was some flexibility and that while they

would like the funds spent within a stated time, there was some provision for extension. They inspected the building and agreed that it needed the repairs identified. That is attached in attachment 3. I was instructed to gather three quotes for work agreed to with the group responsible for administering the funds. Before I could compile that information and complete the application process, I was advised that they had committed all of their funds and there was no longer funds available.

In June, we submitted our application to the rent review board as per existing legislation. Total expenditures to that date amounted to approximately \$173,000. We identified that work was ongoing as per the April 1990 legislative requirement. Residents were advised of the application and the effect of the increase to their respective units. The residents had until 21 November to submit any objections. None were submitted. The increase was to have been effective 1 October 1990.

Work has continued since June as per our plan. We have completed five additional units. With the Middle East situation, the cost of fuel oil is unacceptable and the cost of hydro is unacceptable. We decided to replace the old, technologically inefficient, oil-fired hot water furnace and electric hot water tanks for gas. We spent approximately an additional \$30,000, for a total of \$203,000, or \$13,500 per unit.

Throughout this project, we have maintained an active communication program with the residents. A total of 12 newsletters have been distributed outlining progress to date, advising people of what to expect in the near future and to solicit feedback on certain items. Frequent face-to-face discussions have occurred on a daily basis as I was there every afternoon and I am there on the weekends working myself, without compensation. For the last year I have been working without this compensation evenings and weekends to reduce the overall cost on this particular project.

Given the downturn in the economy and the increase in the availability of rental stock, the pressure on rents was backing off substantially. Had our requested increase been approved as submitted, we would have been in the unusual situation of having legal rents in excess of market rents. We advised the residents in our newsletter of 8 November that we were aware of this situation and that when the decision from the rent review board was announced, we would be speaking with them to establish a fair market rent for their particular unit.

The Chair: You have 30 seconds.

Mr Timmons: We have terminated future upgrades to the building, and this is my commentary. It is absolutely incredible that any government, especially one which says it represents the people and makes intelligent decisions, could embark on legislation which is retroactive. It is purely punitive in the way it has been implemented. It leaves us financially skewered. We will not be able to meet our financial commitments on the bank refinancing on 15 December.

The Chair: Sorry to cut you off, but your time has expired.

Ms Harrington: I appreciate your coming. It certainly is a well-laid-out account of exactly what has happened to you. From what we can understand, you certainly are responsible people and landlords. What you have done is what we had hoped every landlord would do, to work hard at your building and give an honest accounting to your tenants and do the very best for them.

All I can say is that I am glad that you have put this forward so that we can understand your point of view and see what we can do to help you, because we realize there are several small landlords who are experiencing this kind of difficulty and you happen to be caught in a very close time warp of 1 October. So I can appreciate your situation.

Mr Timmons: We cannot live with the moratorium. We are financially dead with that moratorium. That is just it. And that has nothing to do with the philosophical base on which Bill 4 or any of the rent legislation is based. The moratorium has killed us.

Ms Harrington: I will look forward to reading the rest of this then to get your whole story.

Ms M. Ward: That is basically what I wanted to say too. I do not have any questions. You sound like a model landlord to me. You certainly have communicated very well with your tenants. I realize you did not have time to go through your brief and through your conclusions. I intend to read it over carefully.

Mr Timmons: We have maintained a very extensive communication program with the tenants prior to the legislation that was adopted in April. We started out in a co-operative venture with them, explaining in advance what we were doing, why we were doing it, asking them for their input, factoring their input into our plans, taking advantage of the units when they had other things or something. Our newsletters were two and three pages of single-spaced detail. I am down there every day and every weekend. I know the people on a first-name basis.

Ms M. Ward: There is a lot more information here which I will certainly look through.

Mr Timmons: I did not burden you with all of it. I figure you will be getting big briefs.

Ms M. Ward: I assume there are figures in there also of what your increases were.

Mr Timmons: No, I did not provide that information because it is the principle of the thing. I can. I have extensive documentation but it is the principle on this in terms of, yes, it absolutely ruins us financially in this. We will simply not be able to meet our commitments. We borrowed the money to do the capital renovations. We promised to pay it back with a refinancing which was going to occur when our mortgages come due 15 December. We are not going to be able to do it.

Ms Poole: Thank you for coming today and for your presentation. I think you have highlighted the difficulty that a number of very real people are going to have if the legislation goes through in its current form, particularly with some of the retroactive provisions.

You will have to forgive me, because when you referred to your newsletter, I went over just to glance at it

and I got so intrigued that I read the newsletter during your presentation. I was trying to keep an ear to both.

My understanding from what I heard as I was reading your newsletter was that you had the extensive consultation with your tenants, that you sent them the newsletter, you sent them the survey, you offered them the option of having it done in their unit at the time that was convenient to them or not. Is it correct that if there were tenants who said, "No, I do not want it done," then you did not go ahead with the work at that time?

Mr Timmons: We only did the units as they became available. We cannot evict people and did not want to evict people. We had long-term, excellent tenants we inherited when we purchased the building, but people have their own priorities and they move off for other jobs. They get married or whatever else.

In many cases, a number of our tenants were moving to better quality conditions. They could afford it and the building had deteriorated to the point where they no longer wanted to remain there. As those units for whatever reason became available, we would go in and redo that unit. Then we would offer it to any of the existing tenants if they wanted to move in to it. It did not mean a major relocation for them and they could live in a completely redone or substantially redone unit at the legal rent for that particular unit. That was the approach.

Ms Poole: There was no economic eviction involved.

Mr Timmons: No. In one particular case, one tenant went on a long-term holiday and authorized us, requested us to go in and redo the unit while he was away, and we did.

Ms Poole: I just want to read for members the first two lines of his newsletter. "Dear resident: Christmas is over. Hope Santa Claus was good to you and that you were able to spend the holidays with family and friends or in some exotic spot." The point I would like to make is that just as all tenants are not either good or bad, not all landlords are either good or bad. You have a lot of good ones and you have some bad apples. I think we have to make sure, whatever legislation we recommend be passed, that it is fair to people, that it does not punish landlords who are good, who are humane, who have played by the rules and who have treated their tenants with fairness.

I very much thank you for coming today.

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Mrs Y. O'Neill: I have one short question. You have repeated twice that you have a crucial date of December 1991. I do not want to ask you personal questions, but obviously this has something to do with the investment you made. Did you take a relatively short-term loan to accommodate these improvements? Why is this date so important to you?

Mr Timmons: The 15 December 1991 date is the date at which the first and second mortgages mature. We negotiated a vendor takeback second mortgage when we purchased the building for 7% and we inherited the first mortgage for I think it was 12%. We will have to refinance both of those. The expectation was that the value of the building would be such that we would be able to pay off

the bank. I mean, that is what we told the bank when borrowed the \$200,000 in order to make the capital improvements. We will not be able to do that.

Mrs Y. O'Neill: You feel things are not progressing; they are, rather, regressing.

Mr Timmons: Absolutely regressing. Not only have the real estate values in the province of Ontario and in the city decreased substantially—as an investor, it is a normal part of the risk that I take—but with the added burden of the pending legislation I cannot even give that building away, I am sure.

Mrs Y. O'Neill: So you really cannot refinance it. That is your expectation.

Mr Timmons: I will not be able to refinance it. The government legislation will not be in place. There will still be unknowns. The bank is going to say, "Sorry, tough luck."

Mrs Y. O'Neill: Thank you for revealing that information to us. I think it is helpful.

Mr Tilson: I think, as these hearings unfold, we are going to hear more and more stories like that which has been given to us today by Mr Timmons—we heard them yesterday and we are hearing them today—dealing specifically with the issue of retroactivity, where people have listened to the government, they have followed the rules, based on those representations given by government officials they have expended moneys, and in many cases, such as this one, have got the approval of the tenants.

I can tell you that I know of judicial precedents, specifically with municipalities, where municipal officials have made representations to citizens of their municipalities and those citizens have relied on them, that legal actions have been instituted against those municipalities and they have been clobbered in the courts. I think as we see this unfold, the hint that has been given by applicants today is that there has been clear misrepresentation by the province of Ontario. Provincial officials have made representations to citizens, who have followed the legislation. Those people have relied on those representations and they have sustained and are continuing to sustain substantial damages and there is no question that if there have not been class actions or individual actions instituted against the province of Ontario, the writing is on the wall. I hope that the government listens to these people who are coming here pleading with it to change the legislation, because I am sure they cannot afford to sit back and lose their savings. Legal actions will have to be instituted.

I have no questions of this individual. I think he is typical of many who we have heard and will continue to hear.

The Acting Chair (Mr Duignan): Do you wish to respond?

Mr Timmons: No. In the previous presentations I heard I do not think I said anything differently. I said it from the heart; I said it from the situation that I am faced with. This was not a consultative process that I went to and got advice and guidance from the landlord associations or whatever. I focused on my particular situation, three of us.

The Acting Chair: Thank you, Mr Timmons. Thank you for coming.

JAMES BRIGHT SR
JAMES BRIGHT JR

The Acting Chair: The next delegation, Jim Bright and Jim Bright, Jr.

Mr Bright Sr: Good afternoon ladies and gentlemen of the committee. I am a landlord. Excuse me if I stumble a bit. Making these kinds of presentations is not an everyday thing.

I am an apartment owner who will be caught in a real financial and personal dilemma if retroactive interim legislation is passed which cancels legitimate rulings made by the previous Ministry of Housing on rent review applications.

In October 1989 I purchased a 51-unit building for \$2.8 million. This price breaks down as follows—I will not read that, for time. You can see. You have a copy of my presentation.

In my first year I applied for an increase over the guideline and received an extra 6%. But because of a financial loss balance of \$94,000, there were to be phase-ins at the rate of 5% over the next four years, upon application. This would allow me to break even eventually.

Now, if the proposed retroactive legislation is passed abolishing the annual phase-ins which I had been officially allowed by the previous Ministry of Housing, I will be stuck with this annual loss and no way to change it. In addition, I have a \$562,000 mortgage, which the vendor took back, coming due in 20 months. With my negative cash flow, raising this money at any reasonable rate will be virtually impossible. The outlook is bleak and bankruptcy looms.

In addition, I have listed \$177,000 in repairs or replacement of essential components, some of which should be done very soon. The roof and replacement of galvanized piping, at a total cost of approximately \$80,000, is most important. The balance could be delayed a year or two. A new roof amortized over 15 years plus new copper pipe amortized over 20 years would increase rents by \$9.19 per month on the average, using a 12.5% interest rate.

Now, somebody is going to ask why I bought the building. It is an obvious question. To answer that, I need to tell you a little personal history. I have worked for 41 years with one company and planned to retire in October of this year at the age of 60. I am still quite energetic and a work-oriented type of person.

The only experience outside my job is in apartment ownership and managing. My wife and I have a 23-unit building which we have owned for 10 years. The idea of another building was for investment purposes and to give me a source of occupation over the next 10 years or so. I am a darned good handyman and can work in the basic skills of plumbing, patch plastering, carpentry, etc. You have to be able to do this type of work to operate economically as a small landlord.

I looked for a year, but this building was by far the best bargain that I could find. It was close to my home which

was convenient for frequent visits and in a fine residential area. Yes, I knew there would be a cash flow loss. However, rents were extremely low and could stand increases under the then-current rent review guidelines, spread over a period of years, without becoming exorbitant. In return, tenants would have an owner who would improve the building, with good economy to boot. The fact is I have received compliments from tenants and neighbouring home owners re the improved appearance inside and out. This comes through better supervision and hours of hard work put in by my son and me on Saturdays and evenings, no major cost. A lot remains to be done on this kind of building.

I have done a study to show what I would have to purchase this building for today just to break even on a current cash flow, that is, cost-versus-income basis, with no allowance for payment on principal. In this exercise I am using the average rental on a three-bedroom apartment, which is \$639 per month, plus an apportioned share of operating costs for the year 1990. Now, the current annual rent, at \$639 for 12 months, is \$7,673. The operating cost, which covers all the normal day-to-day electricity, water and so forth, is \$3,409, which leaves me \$4,263 to apply towards the financing part; \$4,263 at 12.5% will carry financing of \$34,000, which becomes the limit on a purchase price if a buyer is to break even, if you can follow that.

Can the government construct or buy a three-bedroom apartment for \$34,000 in a prime residential area of Mississauga. If by some miracle they can perform this feat, then can they operate it and break even at \$639 per month, including all utilities? If they cannot do it without subsidy, they should not expect me to do it.

Indeed, my building at this level of income is only \$1.6 million on a cost-equals-income basis. Just think of it, ladies and gentlemen, 51 large units, some with second bathroom off the master bedroom, balconies overlooking the park, for \$1.6 million. It is ludicrous. The land alone used for building lots is worth more than that.

1620

As a further point, I have investigated and found that to build this building today with its 59,000 square feet would cost in the neighbourhood of \$5 million exclusive of land. I have another comparison to make. It so happens that the building located next to mine is identical in size; units, design, built by the same contractor at the same time, a carbon copy. It was converted to condominiums 12 to 13 years ago.

The selling price of a three-bedroom unit is \$125,000 in today's depressed market and the buyer will pay a condominium fee in excess of \$200 per month. The rental price is \$950 for the same unit, for those that are rented. This compares with \$639 in my building and it can be taken as an example of how rent controls have been successful in suppressing rent levels and property values in regular apartment buildings.

No, the price I paid was reasonable; it was even low. Rents should reasonably be allowed to gradually move upwards so that the building, over four to five years, will become self-supporting, as detailed in the rent review

order allowing phase-ins. Otherwise, the legislation under which my investment was carried out becomes an abysmal trap and I am financially ruined. Is it fair, is it legal that this can happen?

Now there is the GST to pay on all utilities, supplies and services yet not collectable from tenants. It will cost \$5,000 on this property in 1991, which would require a 1.4% increase in rents to recover. How about some quick legislation on it, allowing a certain percentage increase on all rents? It is easy to come up with the figures for an apartment building. It is extra cost.

We have to account for it somehow.

The impact on my family and me will be devastating. My savings and equity built up over the past 20 years is wrapped up in this building. We stand to lose the building and our lives' work. The road to where I have arrived has not been armchair-style. My knuckles—

The Chair: Sir, just take your time. You might want a glass of water or a cup of coffee. If you wish, we could adjourn for a couple of minutes.

Mr Bright Sr: No, that is all right. My knuckles and palms are calloused from handyman work, plumbing, plastering and painting. My wife has cleaned her share of dirty stoves and floors after tenants have moved out. To think it just might be all for naught keeps me awake at night.

I hope you will understand and agree with my rationale, but even if you do not, I remind you there is still one fact that even transcends the whole argument. That is, the rent review wherein I bared my every financial detail involving purchase, financing and operating costs to the Housing ministry and tenants was in accordance with the rules at the time. A fair and just verdict was rendered in terms of financial awards. Not to allow the order to be carried out effectively turns the law into a trap for an honest citizen.

There are also the moral considerations: Do I deserve to have the results of my life work obliterated just because, by a stroke of bad luck, another political party prematurely comes to power? If so, how can anybody ever have faith in the survival of any undertaking he or she makes when government can change its banner every four years?

Bob Rae's government must show some fairmindedness and respect the fact that investors made decisions based on the rules legislated by the elected government at the time. Even if he did not agree with those rules totally, he ought to respect the fact that the party in power had the right to govern and citizens of this province had the right to make decisions based on existing laws and not be penalized by the succeeding party. In other words, if his is a fair party, how can he change the rules after the game has been partially played, so to speak?

It would be fair to live with the Ministry of Housing orders on rent review involving financial loss phase-ins which took place prior to his election. Make new rules for the future and then investors can make a choice as to whether they want to invest. I sincerely hope that our government will rethink its position on the interim legislation and modify it so as to not plunge many of us into

financial ruin. This means that the legislation would not be retroactive and would apply only to purchases made after the NDP came to power.

I did another thing which, if there is time, I would like to read.

The Chair: You have 60 seconds.

Mr Bright Sr: There is an appendix, I guess you could call it, to this which was an after-the-fact thought on what is a fair rent. I would like you to read it.

Mr Bright Jr: I think it is good. I think he should be allowed to read it. Please?

Ms Poole: Mr Chair, he is welcome to take our questioning time, because as far as I know, our caucus does not have questions.

The Chair: Then you have almost four minutes to read it. Can you do it in four minutes?

Mr Bright Sr: Yes, I can do it in less than four minutes. What is a fair rent? It is a subject which I have given a lot of thought to in recent weeks in view of the dilemma the NDP government seems intent on plunging many apartment building owners into.

(A) Is it the amount the very poor can afford to pay?

(B) Is it the amount that the unskilled working person can afford to pay?

(C) Is it the amount that the middle-income person can afford to pay?

(D) Is it the amount that the reasonably well off or the rich can afford to pay?

(E) Is it none of these but rather a function of the actual or reasonable cost to buy and construct a building and operate it responsibly?

I am suggesting that it is the latter because no matter how sympathetic an owner is to a low-income tenant, his enterprise has to make money, at a minimum break even. Therefore, costs cannot be ignored. Our government, from all the communications I see or hear, seems to think that a fair rent is what the poor and lower-income tenant can afford to pay. To ensure that this level of rent or affordability is preserved, they would legislate controls that make this desire their main thrust with no regard for the negative factors that deserve full consideration.

However, in so doing they protect those in the medium- to high-income brackets who should be paying a rent representative of reasonable cost. While the landlord struggles in some situations to make ends meet through low-end rents, he subsidizes tenants whose financial position might be better than his own. It hurts. If this group, and it is large, could be filtered out, it alone would reduce a lot of the financial pressure on landlords and thus reduce political pressure on government. The government must realize that costs have risen in every sector of our lives. Tenants cannot be insulated from higher rents attributable to higher property costs, no more than a low-income home owner is protected.

Food and shelter are the two main requirements to sustain our lives, but do lower-income people pay less for food? The answer, of course, is to allow rents to be a product of reasonable costs, even if it does take some measure of government control to ensure that the

reasonable cost factor is observed in setting rents, then give government assistance to those who qualify as not being able to pay the reasonable rent. In this way, through subsidy, all taxpayers share the financial burden, not just landlords.

Frankly, I think it is noble to want to help people in the lower-income sector with their shelter costs. How this is done without injuring private sector housing industry has not yet been figured out, it appears. Certainly punitive retroactive Bill 4 is ruinous to some apartment building owners and is not the answer.

The Chair: Thank you for your presentation. We are going to start with the Progressive Conservatives.

Mr Tilson: I think this speaker is the same as the previous speaker. I have no questions. I think we are going to hear example after example. The government has the votes. It can do as it likes. It has indicated that it will consult, that it will listen to the people, and I hope that the government will listen to people such as Mr Bright and, before him, Mr Timmons.

There is no question, even if the government passes Bill 4, and I hope it does not, that it should at the very least delete the retroactive legislation. To my knowledge this type of retroactive legislation has never been implemented in the province of Ontario before that has such far-reaching, disastrous effects. It is destroying not only the housing industry but also people such as Mr Bright and Mr Timmons and his partners. I only hope that the government honours its undertaking to consult and listen to these terrible stories that are gradually unfolding at these hearings.

Mr Duignan: We too are listening. That is the purpose of these committee hearings. We will be taking all the representations into account when we reach our final decisions. With that, I do not think our particular group has any further questions.

1630

Ms M. Ward: I just want a clarification. On your page 4 in the middle paragraph it says, "It would be fair to live with Ministry of Housing orders on rent review involving financial loss phase-ins, which took place prior to his election." Then you have, "Make new rules for the future and then investors can make a choice as to whether they want to invest." Are you saying just the status quo, the prior legislation?

Mr Bright Sr: No, I am saying that I think the new government may have a right to make new rules from its time on. We had a government which was a responsible government. Maybe the NDP does not want me to say that, but they were and they represented a majority of the people of Ontario at the time. They made rules. People invested. I do not know how familiar you are with rent review legislation up to this, but there is an allowance—

Ms M. Ward: I am not asking you to explain phase-in. Pardon me for interrupting, but what I am really asking is, just what do you mean about the phase-in when you say, "It would be fair to live with Ministry of Housing orders on rent review involving financial loss phase-ins"? What do you mean by "fair to live with"? Do you mean with the current legislation?

Mr Bright Sr: Okay. Yes, in the current legislation I understand—I have never read it, but I read the papers and keep in touch with the communications—that phase-ins will be done away with. In other words, if I am in a financial loss position through something that happened—as the previous gentleman from the fair rental group pointed out today, he could affect peoples' lives back four years, where you were in a situation in which the ruling given on the order on your application would allow you to gradually get out—

[Failure of sound system]

They did not have any allowance for profit. They had a 2% hardship allowance if you were breaking even. What I am saying is, by the phase-ins being cancelled, it finds me in a loss position which I cannot overcome.

Ms M. Ward: What you are saying there, you are not just talking about the moratorium. You are saying that phase-in should remain in any future legislation.

Mr Bright Sr: I will not even comment on that because I think they can do what they like in the future. I would make my decision on what I would do in real estate in the future, and it does not look like we are doing much right now, but I would make it on the basis of what the NDP government would come up with because then I would be—and hopefully the Liberals, if they get elected next time, or the Conservatives would live with what you did. I do not think you can reach back and change the laws and screw up people who have made honest investments. It is just not right.

Ms M. Ward: I think you have clarified what you mean for me. I just was not sure of your wording. I just wanted you to clarify it and I think you have done that. Thank you.

Mr Bright Jr: There is one point I would like to make. As a young man following in my father's footsteps, I have worked 20 years of my life doing this as well.

Mr Bright Sr: He helped me.

Mr Bright Jr: Believe me, this Bill 4 and especially the retroactivity part has sent entirely the wrong message to my generation, and I am the generation that is going to be investing now that my father is going to be retiring soon. How can I trust the laws of this land? Really, how can I trust them if you are going to change them? Are they laws? They are not laws if you can change them retroactively. You have to live by the rules and play by the rules at the time and trust that the government in power is going to be responsible enough to abide by those rules and not reach back and affect people's lives then. That is all I have to say. It is unfair.

The Chair: We wish to thank both of you for appearing before the committee. Thank you for the information. We appreciate it. We are going to move right along as we are behind schedule.

HOWARD BROWN

The Chair: We would like to call Howard Brown, who is next on our agenda today. Sir, could you just identify yourself for the record and state whether or not you are representing any particular organization and, if you are,

what position you hold in that organization? Mr Brown, you have a full 10 minutes to make a presentation to the committee and then we will reserve 10 further minutes for questions and answers.

Mr H. Brown: My name is Howard Brown. I am here as a tenant, but I was asked to make a presentation today to relate one tenant's experience with the rent review system on behalf of the Federation of Metro Toronto Tenants' Associations. I am not representing them specifically today, but I am here because they had asked me to bring one tenant's point of view forward.

The purpose of my presentation specifically is to recommend options for enhanced tenant protection and participation. I am a founding member of the United Tenants of Ontario. I am a former vice-chair of the Federation of Metro Toronto Tenants' Associations and I am the founding president of the North Toronto Tenants Network. I had hoped to give some suggestions for ways to involve tenants in a greater way in the consultative process that is planned over the next two years.

Specifically in my work with the United Tenants of Ontario, I had the opportunity of meeting with tenants in such diverse communities as Guelph, North Bay, Ottawa, Kingston, Hamilton and Waterloo, but it is in Toronto, where I have been a tenant activist for 18 years, that I have my most direct experience to relate today.

Having received a 27% rent increase for capital expenditures in my own apartment in the Yonge-Eglinton area last June, I am very familiar with the government's attempt in Bill 4 to limit rent increases. The landlord of the 500-unit building only asked for 25%, but rent review granted 2% more for a total of 27%. Needless to say, tenants were outraged. Despite an active tenants' association and an experienced lawyer, the tenants felt a total lack of fairness in the system.

Many of the expenditures were a result of years of deliberate neglect by a landlord who was considered a leader in property management. Many of you are familiar with Greenwin Property Management, which owns over two dozen large apartment complexes in Metropolitan Toronto alone. Although the tenants got new fridges and stoves, windows, hall carpets and other cosmetic items, the building saw the destruction of a community when many long-time residents were forced to move because of the increased rent costs.

The tenants asked: "If the landlord was taking in over \$250,000 a month in rent, wasn't it good business practice to put part of it into a reserve fund to plan for necessary repairs?" They felt: "Home owners and condominium owners do it. Why don't all landlords?" It should be pointed out that with the 27% rent increase, our landlord now takes in about \$4.1 million a year from our one building alone.

Interestingly, as part of an extensive survey a group of tenants have been doing in north Toronto in the last couple of months, we have found other buildings managed by the same landlord that have been allowed to deteriorate as well. Tenants at 111 Davisville Avenue, for example, are outraged that they have ripped carpets and broken-down fridges and cannot get them replaced. There are tenants in

a building at Bathurst near Eglinton at 2603 Bathurst Street who have walls ready to collapse in their bathrooms.

You may ask, "Why don't these tenants complain to their landlords or to the city?" What we have found is many are private, shy people who do not know who to turn to, who do not want to make a big fuss for fear, in their words, of repercussions or another huge rent increase. They are not sure whether the landlord, the city or the province is responsible.

North Toronto, specifically the area north of St Clair Avenue in the city of Toronto, is often viewed as a wealthy area, an area removed from the harsh realities of urban life. In fact, more than half of the people in our area are tenants, many of them living on fixed incomes. The area has one sixth of the population of the city but one third of the city's population over 65 and half of its population over 75. Thirteen per cent are single-parent families.

The north Toronto community has responded to the affordable housing crisis in the past two years by being an outspoken critic of the former rent review legislation and those landlords that exploited the legislation. We organized several large tenant rallies with 400-plus people at each. We have subsequently set up a non-profit housing company that has just received funding from the Ontario Ministry of Housing and CMHC for a proposed 45-unit apartment building on Eglinton Avenue.

I believe tenants throughout this province salute the government for its initiative in bringing in Bill 4. Although not perfect, it goes some distance in addressing some immediate tenant concerns. However, this initiative does not address many of the other issues tenants are burdened with today. Tenants feel they lack a control over their own homes.

In many ways these hearings have created anxiety for tenants for some of the following reasons:

Uncertainty: There is uncertainty over the current law while Bill 4 is being reviewed. There is uncertainty whether future rent increases will be limited to inflation, as the current minister had announced as opposition critic in May, or allow some cost pass-through, or will allow capital improvements, as the minister, I believe, announced yesterday. Tenants are confused. In speaking with them last night and even today, they are trying to figure out what is the situation. They are also concerned that maintenance is currently being neglected and they are concerned about the lack of consultation that is currently taking place as well.

1640

The mere fact that these public hearings are supposed to address a new law for rent protection leaves one to wonder why, number one, there are no evening or weekend public hearings, why there are very limited hearings around the province and why there is very little advertising encouraging tenants to come and relate their horror stories.

These problems indicate, we believe, a lack of understanding of what tenants need in this province. They want the ability to control their own lives in their own homes. How can tenants tell their own stories when they work during the day and there are no evening or weekend hearings? It

would have been prudent and responsible for this committee to schedule at least one evening of hearings in each city.

The Chair: Order, Mr Brown. Just so that we have the public record correct, this committee is in fact going to make time available for organizations and individuals who cannot come to see us during the day. We will have anywhere from one to three evenings scheduled for that purpose.

As far as the hearing time allotted by this committee is concerned, I would challenge anyone who has been involved in the legislative process, either in the past or at the present time, to find a committee that has scheduled as much work as we have in order to try to meet our obligations as expeditiously as possible.

We are also adding cities that were not originally considered for hearings. At the same time we will probably be doing the government's green paper or consultation paper, and I hope all of us can continue to meet in this friendly public manner to hear the views of yourself and of the citizens. So I wanted to make public today the fact that some of the things that you believe will happen are not in fact going to happen.

Mr H. Brown: Mr Chair, I appreciate that and I can tell you that when I first called to request time and asked for an evening hearing, of course they said there was none. I understand there are evening hearings planned for Ottawa as of yesterday.

The Chair: A flexible guy like you, you can come during the day.

Mr H. Brown: It actually is very difficult. I want you to know that my colleagues and peers who I work with in my own job look and say, "How can this gentleman take off at 3:30 in the afternoon to go and do some personal business?" It reflects negatively, I think, in some way on individuals who have to take time out. I can tell you, Mr Chair, that it is difficult for average citizens to do it. The majority of your spokespeople who are here speaking over the two-day period are with organizations that do this as a full-time job. If an average citizen wants to come, it is very difficult to do. I do not want to get into a debate on it, I just want to encourage the committee and the Legislature to continue to look at other ways to reach out to average citizens, and I appreciate your point of view.

The Chair: Thank you. You have a couple of minutes left.

Mr H. Brown: What I would like to do is move very quickly to what tenants want today. They want safe, affordable, clean and secure homes. Many people think of tenants as transient yuppies living in apartments until they meet someone in the laundry room, get married and buy a nice little house in Whitby. Let me tell committee that this is happening in some cases, but vast majorities of tenants will never be able to afford their own homes.

There are 66% of all people in north Toronto, for example, who are single and earn substantially less than the average income, according to the census data. In one apartment building that I visited last year, of the 52 tenants, the

average stay was 17 years. They are people trying to make their apartments real homes.

The issues that we believe it will be important for you to address in this consultation process are ways that tenants can have more opportunities for consultation. I do not want to get into it because we have just discussed it a moment ago, but I think that if tenants are to have equal weight with landlords in the housing debates, then democratically elected and accountable tenants' associations must be funded at the building, neighbourhood, city and provincial levels.

This committee and the Minister of Housing, I hope, would recommend to the Minister of Revenue a checkoff on the annual property assessment form that would allow tenants to direct a certain sum per month or year to various tenants' associations. Increased vehicles of communication for the purposes of sharing knowledge would be considered a priority. This is the only way that tenants will be adequately heard.

The second issue that I wanted to talk about, after advocacy and consultation, was the issue of maintenance. Tenants do not want to live in pigsties. I must say that I am happier now taking people to my home than I was before the 27% rent increase, but tenants should not have to put up with the landlords avoiding all maintenance until they are forced to do capital improvements.

Maintenance has been called the issue of the 1990s. Legislation should be passed forcing landlords to put aside in a reserve a certain percentage of rents collected that must be saved for capital improvements. There would be tax implications if the money was used for other purposes.

In the meantime, tenants continue to fight off mice, cockroaches, pigeons and other causes of poor maintenance.

The third issue I wanted to discuss very briefly was the issue of security. Tenants, particularly women, live in absolute fear in many apartments. I believe municipalities have been slow to move in ensuring proper lighting and safety measures on streets and underground garages and elsewhere to ensure safe neighbourhoods and apartments. Tenants want real security in their neighbourhoods. Innovative and imaginative solutions, such as remote-controlled cameras and mirrors may be expensive, but if it saves lives and helps build safer communities it should be looked at across this province. Since police services are provided by the community, should not apartment security be a bigger part of the process?

I encourage this committee to review the security issue with the Solicitor General.

The fourth issue I wanted to raise was the issue of conversion of private apartments to co-op and non-profit. I believe the only way tenants will ever get true control over their own homes and not have to depend on the whim of the government of the day is to encourage greater conversion of private buildings to co-op and non-profit. Having lived in a co-op for five years and having served on the co-op's board for four of those years, I can tell you it is easier to build a community in a co-op than in a private building.

I hope this committee would encourage the Minister of Housing and the Treasurer to greatly increase the moneys available to the Tenants' Non-Profit Redevelopment Corp, set up by the previous government to provide loans to tenants' associations wanting to buy their buildings and turn them into co-ops and non-profits.

Two days ago the tenants at 102 Tyndall Avenue in the King-Dufferin area of Toronto were served with eviction notices by Cityhome, the Toronto Non-Profit Housing corp. Cityhome—what a misnomer that is. It wants to intensify the site and has rejected equally effective counterproposals from the tenants. If this building was run as a co-op, the tenants at the very least would have had access to information that was forcing their eviction and the destruction of their fine homes.

I can tell you in conclusion that I illustrate this story to say that tenants would be better off if they had the choice to decide the type of community they want to live in. These tenants at 102 Tyndall were not allowed the basic protection that even private sector tenants get from the provincial Rental Housing Protection Act.

The fifth and final issue that I wanted to raise was the issue of affordable housing supply.

The Chair: I have given you an extra two minutes because of my interruption, Mr Brown. With no objection from yourself, I would like to proceed to the questioning. The Progressive Conservative members are first, followed by the NDP and then the Liberals.

Mr Tilson: I am simply going to repeat what I have said before. There has been very little submission made by this applicant with respect to Bill 4. I have listened very carefully. I have heard hardly any comments with respect to Bill 4. All of his comments are worth submitting to the government because they are expressing very serious concerns of the tenants. But I submit they do not deal with Bill 4.

In addition this person has raised comments about, and we are trying to deal with that, allowing more time for people to be heard. That is one of his concerns and it is one of my party's concerns, that there are many, many people who are not being heard. Of course, the clerk and yourself will be trying to address that, but, to be fair, this person of course is speaking on behalf of the Federation of Metro Toronto Tenants' Associations.

Mr H. Brown: I am not speaking on behalf of them, sir.

Mr Tilson: That is what your submission says.

Mr H. Brown: I am saying I am here as a tenant.

Mr Tilson: Mr Chairman, they are addressing this committee, of course. They are slotted to address this committee on 12 February at 10:40. I think, to be fair, if we are going to do that, we should allow other people to come. I am not saying we should not hear from you, I think we should hear from you, but to do that I would hope the government would respect your request and my request to expand these hearings. I would suggest the weeks of 25 February and 4 March, which could be used for further hearings on Bill 4, and the review consultations, the very serious concerns that you have raised, could be started when the House resumes on 18 March.

Those are my comments on procedure. I am not saying that these remarks should not be made, but I would hope that more speakers in the future would deal specifically with Bill 4, and if they are going to be allowed, as this speaker has said, much more time should be allowed for us to hear all representations.

1650

Mr Mammoliti: Mr Brown, have you been here a while today?

Mr H. Brown: About an hour.

Mr Mammoliti: We have heard from a lot of people today and yesterday, some being landlords and some being tenants. It is quite obvious that some landlords are in distress and certainly have a problem. I can see that. It is obvious from representations that we have heard.

Sir, how do you feel about landlords losing money on a personal note? How do you feel about that?

Mr H. Brown: I believe in a mixed economy. I believe that there are good landlords, that landlords should be able to make money and I think most tenants in this province, the vast majority, believe that there is a need for a private and public role in providing housing, so I am comfortable with them making money, a living, a profit. I think all I am suggesting, and I want to try to address Mr Tilson's comment as well, is that I do not think it is a black and white situation. I do not think, and I have heard it said in the hour I have been here, that all landlords are rotten and all tenants are wonderful. I have met some good landlords and I have met some rotten tenants.

I really believe that the real problem is that tenants do not have the ability to make their own decisions in their homes, and if we could bring the two parties together it would be so much more helpful. When you go to tenants' doors, as we did in the survey that we did in the last two months, they do not see themselves as part of some massive group of tenants in this province. They see themselves as a person living in his apartment and his apartment building. They relate only to their landlord.

Mr Mammoliti: If Bill 4 was passed today, would you trust the government of Ontario?

Mr H. Brown: I personally am here to support Bill 4. Bill 4 was my conclusion and I had hoped, Mr Tilson—you made the comment—that I would have had a chance to get to it. I think the whole principle of Bill 4 is to build some time into a consultative process for a long-term plan, because I think tenants were worried that if some kind of freeze was not put in place, landlords would bring in proposals for rent increases higher than they would have been able to get otherwise, or would have put in higher than they would normally put in. I think tenants appreciate that point of view.

I also listened very carefully to the landlords who were presenting before me and I understand that they are just trying to earn a living. They are trying to do their job and I am not here to landlord bash.

Mr Drainville: Very briefly, I just wanted to say that many of the points you brought forward are points that have been raised by other tenants. In fact, I lived in the

area you live in, sir, for a number of years, so I have some knowledge of that part of Toronto.

Just to get back to what our Chair was saying, I want to reaffirm the fact that you have to be very clear that it has been the intention of the committee from the beginning to ensure that we put ourselves at the disposal of people, not only here in Toronto but across the province, to the best of our ability, with the limitations we have in terms of the schedules we have as members of Parliament and also in terms of the schedule of the government in trying to ensure passage of a new rent control piece of legislation that we want to bring in as soon as possible.

On your point about our being at the disposal of tenants and other people, I think we have to make our point very clearly that we are very definitely at the disposal of those people and in fact have been sitting here practically without stop all day long, and will until six o'clock this evening. I think enough on that point.

The second point is just in terms of the three points you raised there about the horror stories of tenants, being given an opportunity to air horror stories. We have already had many tenants here speaking about their needs and aspirations as tenants, but the reality of this committee is that we are not just looking at tenants, that we are looking at landlords, that we are looking at the whole area that includes both sides of the issue. If we are to maintain any impartiality, we have to ensure that all people who are involved and interested in this issue come before this committee.

Ms Harrington: The variety and array of people who have come before us today has been most helpful. One of the concerns you mentioned about bringing landlords and tenants together I think is the crux of the matter. I hope the committee is viewing our role in that way and that the government is viewing our role in that way, that somehow in the long term, for the benefit of the tenants as well as the landlords, we have to bring their concerns together.

I am grateful that you mentioned a few other new ideas. You mentioned maintenance, which has been mentioned many times before and is very important. But the idea of your apartment being your home and that feeling of ownership, being a home owner, it is very difficult to try and think of what it would be like trying to live in an apartment with a family and viewing that as your home, and I think we have to do that as part of this committee.

You want security. I think your idea of trying to work with the Ministry of Housing to get conversions into co-ops and self-ownership and self-reliance for people would be a wonderful idea and I hope we can go in that direction. Your other suggestion of trying to get some money for tenant organizations is an interesting proposal and I will look forward to hearing a bit more about that.

Ms Poole: Thank you, Howard, for your presentation. I certainly agree with you about your points on maintenance and how important it is to tenants to have a home they can be proud of, and a decent place to live. One of the concerns I have with Bill 4 is the fact that there is no provision for capital expenditures and for major repairs. Minor repairs obviously should be carried out under the

money provided by the statutory guideline, but there is nothing for major repairs, so for tenants who want windows that are not draughty, or a roof that is not leaking and causing problems for the tenants on the top floor or who are going to have their underground parking garage closed down because it has corroded to the extent that it needs to be retrofitted, the landlord does not have any money and the landlord will not do it.

In these scenarios this work obviously will not get done during the length of the moratorium or two years, whatever comes first. Does this cause you some concern that there will actually be no money put into the apartment buildings in that period of time?

Mr H. Brown: It does concern me and I think the tenants I talked to, who we met with while doing our survey, were concerned that normal maintenance be done. But the tenants, the ones I talked to in the last two months, were very clear in what their belief. They feel it was the landlord's responsibility to put aside a certain sum of money to plan for these eventualities and that it should not just be the responsibility of the tenants. So I think the idea that there should be some allowance for it—nobody is saying there should not be an allowance for it, but I do not think tenants feel it is totally their responsibility. If landlords had been taking the responsible action in preparing for it, possibly this would not have happened.

I know that in my building it was a good 10 years before the landlord had done any kind of ongoing maintenance. It was seven years, I know, for one ripped carpet to get repaired and I think he took the attitude: "I do not have to do it. Why should I do it? I will wait until I can add it up in capital improvements."

I do not think Bill 4 is perfect. I think there are a number of tenants who would say there are problems with it the way it is brought forward, but they also say they do not want to pay for it, so I think there has to be some compromise. The specific suggestion I am making today is one that would encourage landlords, and not only encourage landlords but legislate landlords to make sure they have some process put in place to ensure they have some funds for those purposes.

I do not disagree that is a concern. Tenants do not want to see their buildings fall down. I have visited buildings that had repairs done and those that had not had repairs done. The situation does not change. Does that answer the question?

1700

Ms Poole: It gives me your answer to it, yes. I guess I have a little difficulty with the idea that enough could be put away out of a landlord's profits to set aside for a rainy day. I agree it might be done if you are talking about a brand new building, where from day 1 you could build in some sort of emergency fund. It is extremely difficult when you have aging housing stock that is 20 to 30 years old. I am wondering if perhaps Bill 4 could be amended—

The Chair: The time has expired.

Ms Poole: Can I finish the sentence?

The Chair: I have already allowed some latitude. Mr Brown, I want to thank you for appearing before the committee.

Mr H. Brown: I have quite enjoyed this. I want to thank you for allowing an individual tenant like myself to make a presentation. I enjoyed the opportunity to chat with you all and I look forward to working with you in the future. Good luck in your deliberations.

TENANTS OF 1 CLAUDE AVENUE

The Chair: The next organization on our agenda, Tenants of 1 Claude Avenue, please come forward and have a seat. We would ask that you introduce yourselves for the record. Whatever responsibilities you have with your organization we would also like on the record. We have allotted 20 minutes for your presentation, 10 to make a verbal presentation to the committee and a further 10 minutes for questioning. The floor is yours.

Mr Wilson: Good afternoon. My name is Randall Wilson and this is Karen Ohland. We are tenants of 1 Claude Avenue. We are not representing any larger group than the tenants of 1 Claude Avenue. Actually, we have to apologize from the outset for not having any written submission, the main reason being that we spent the majority of today in appeal hearings regarding a landlord application from 1988.

As Mr Brown before me referred to, we are average tenants. From what I have gathered in the short time I have been here, you have heard a lot of stories both from landlords and tenants so I am not going to belabour the points that seemingly have been made. I may seem a bit disjoined; that is because we have been busy all day and this was done on short notice—we are filling a cancellation.

Overall, even though Mr Tilson is not here at the moment, we will address Bill 4 directly and say that we are happy someone has put the brakes on. We are not saying it is the ultimate solution, that the problem is that cut and dried, but something had to be done. We came out of an appeal hearing today having gone on record in opposition to many things, but also coming out of there realizing that really we did not have a leg to stand on as far as the legislation went and consequently will be facing a 74.1% increase for 1989. Our landlord as well had reapplied in 1990 for an additional 15% increase. This is very difficult to fit into one's life, to budget for a 75% increase in one year and an additional 15% the following year.

Something is amiss when that can happen, yet we seemingly do not have any input even though we have the same complaints you may have heard today regarding long-term negligence of a building until 1986 or until this application was first put forth; incomplete work, at least in our opinion it is still incomplete work, with no verification of actual work done that had been applied for and for which funds were allotted; unnecessary work, in our minds, and really serving no purpose for anyone in the building other than increasing rents.

As well, we have problems with the application process. I really do sympathize with a lot of landlords and I can understand their plight. Retroactivity is an extreme

measure, but it also reflects the immediacy of a problem which has to be addressed now, not something that can be bandied about for the next year or two. It has to be addressed now.

The current legislation, by the way, to present a tenant's point of view, often allows for first effective date of rent increases to take effect before actual work has even begun, as well as accounting for 11.76% or whatever the going interest rate is on that money. In effect, we are paying rent increases for work that has not even started yet and may not start for six months after the fact. That is a problem for us. To me it represents perhaps the opposite side of the argument of landlords who are now faced with a retroactive bill.

Our story has a bit of an odd wrinkle, that is, that our property manager not only neglected the physical state of the building but also neglected to manage the property properly. In other words, whether out of disdain or poor management, he did not raise the rent for four years. At first glance, that might seem like a boon to tenants, not having an increase in rent annually. But what has happened with this current legislation is that he has now applied to reinstate the maximum rent he could be collecting as well as capital expenditures. Had he participated in rent control when it was available, capital expenditures could have been partially or in some cases all funded through the rent funds that were available to him.

I do not have a lot more to say, actually. I believe the whole legislation has to be examined a lot closer. There are a lot of injustices to tenants, as far as the legislation goes. Perhaps the moratorium is treating the landlord unfairly, but it is necessary, I think, at this point to bring about a change.

A few suggestions put forth by some of us at the building are that annual increases, no matter what the work, of 74% and 15%—we have heard of higher figures—are not bearable. People cannot accommodate that. They have too drastic an effect on one's life. Something else has to be done, though, as far as monitoring maintenance and upkeep of buildings goes.

I do not have a lot more to say at this point.

The Chair: Thank you. I am sure the committee would enjoy having some discussions with you. Ms Poole of the Liberals will begin.

Ms Poole: Thank you both for coming today. I know it is difficult when you are not used to presenting to formal committees to come into these intimidating circumstances, so we do appreciate your presentation.

A 74% increase followed by a 15% increase is obviously quite hard to swallow, and I can understand your pleasure that someone has put the brakes on, to quote you. I am wondering, though, if this was the fairest way to put the brakes on. I certainly understand your displeasure at those kinds of increases, but could we have got around the problem on an interim basis in a different way?

In early December when I gave a speech in the House I made some suggestions about how we could have had interim legislation that would have protected tenants from situations in which you found yourself and at the same

time not cause some of the very real difficulties that landlords and investors have faced because of the retroactivity—basically that there would be an annual cap on rent increases; second, that any capital expenditures would have to be for necessary repairs; and, third, that unless the landlord kept the building in a good state of day-to-day repair the landlord would not even get the statutory guideline. It would not be a matter of having to go through a government body; if the landlord did not get a building certificate from the municipality stating he kept the building in a good state of day-to-day repair, automatically he would not be able to get the statutory increase. Could you live with that type of proposal as interim legislation while we search for long-term solutions?

1710

Mr Wilson: I have a little difficulty with interim legislation in that it sounds great now but its implementation in practical terms would be very difficult. I think the reason there is a moratorium is that we do have an immediate problem. For instance, in our building, when our landlord first applied under this act in 1988, there were some 21 of the 30 units rented. I think about seven of those 20 tenants in that year exist now. Many have had to leave because the rent has gone too high, and more are planning to leave. A lot are leaving without even paying rent. They are being forced to do illegal things in order to get by, because they are being asked to pay \$2,000 in retroactive rent. It has to be stopped now and then fixed. Interim legislation would still create quite a few more victims as far as tenants are concerned.

Ms Poole: Bill 4, which we are studying today, is being called interim legislation, so it would be a matter of whether we could have different interim legislation.

Mr Wilson: Which does not involve a moratorium?

Ms Poole: That is right. There could still be a moratorium but the limits would not be so stringent; perhaps there could be no capital expenditures, which is what the current legislation says. I have some concern that major repairs are not going to occur.

The Vice-Chair: Mr Turnbull is eager.

Mr Turnbull: I certainly take my hat off to you for the fact that you have been out to rent review hearings today and here you are with little preparation. I know how absolutely intimidating it is to sit before television cameras and have to speak.

First, I would like to have an understanding of the building you are in. What is a typical unit? How many bedrooms, one or two?

Mr Wilson: There are one- and two-bedroom apartments. It is a 30-unit building, approximately 70 years old.

Mr Turnbull: May I call you Randall? What do you rent, the one- or the two-bedroom?

Mr Wilson: A one-bedroom.

Mr Turnbull: How much does it cost?

Mr Wilson: Under the current legislation, \$488.

Mr Turnbull: That is after having applied the 74.18% increase?

Mr Wilson: That is correct.

Mr Turnbull: But prior to applying the 15% increase?

Mr Wilson: That is correct. I appreciate the snickers here but, then again, the snickers do not recognize the state of the building we live in, the tacit agreement that had existed for years about maintaining your property yourself, about the vagrants who sleep in the building, about—

Mr Turnbull: I emphasize, do not take any notice of any snickers. It is certainly not coming from the committee here. We take this very seriously.

Can I ask you what \$488 represents as a percentage of your income, approximately?

Mr Wilson: Actually, I regard that as personal information and I do not think it is necessarily relevant to what we are discussing.

Mr Turnbull: Could I put it another way? The generally accepted guideline of affordability is 30% of your gross income or less.

Mr Wilson: In my case, it is less than 30%, but in the majority of cases in the building—and the majority of cases have left the building—it is a much higher ratio than 30%. Many of them were single mothers, students who were single mothers, many were new people to the country. They have all left.

Mr Turnbull: So when you look at the diversity of tenants in your building or who were in your building, it is fair to say that some of the people fit within the category of affordable housing and other people for whom it becomes very expensive housing.

Mr Wilson: Exactly. For the great majority, it was expensive housing.

Mr Turnbull: So would it be reasonable to suggest that what we need to do is target moneys to the people who find it unaffordable within the definition? Whether the definition needs to be adjusted or not, I do not know, but would it be reasonable to make sure that we get sufficient money in their hands to ensure that these people enjoy the right of decent, safe housing?

Mr Wilson: Ideally that might be the case, but safe housing or good housing is not necessarily the result of this legislation. In our case, it still is not, even though the increases have been applied. It is a bigger problem than that.

Mr Duignan: Thank you for coming here today. We appreciate your comments. Again, I know how difficult it is to make a presentation to a group such as this.

Could you describe some of the work that was done, or was there any work done, for that 74% increase?

Ms Ohland: There was tuck-pointing on the exterior. There was a new roof. There were carpets in the hallways. The old carpets were quite fine. They had been there as long as I had been there and there had been no complaints about them. The building was painted. The first ever fire alarm system was installed. We had door locks for the first time. This building is adjacent to High Park, and in the old days before we had locks, which finally worked last December, vagrants would come in and sleep in our hallways and in our laundry room. People did crack in the

laundry room. The rents may seem low, but they are really quite in line for what this building was and continues to be. There is no substantial change for us.

Mr Wilson: A lot of the work that has been done, in our opinion, is still not complete. In the opinion of the Ministry of Housing and according to the rent review legislation it is complete work, but we still have complaints. We feel there has to be some responsibility assumed by the rent review board. If they are to allow increases for capital expenditures, they have to be capital expenditures that are complete and well-done jobs.

Mr Duignan: Regardless of the amount of money you paid prior to the increase, in fact there was never any preventive maintenance done on that building. There were no locks on the doors; they never painted anything. Actually, there was never any sort of money spent on maintenance.

Ms Ohland: No. We could not really prove that. If there were interim legislation that said landlords would have to keep buildings up to standard, for example, I think it would be really difficult for tenants like us to actually prove it. We could not prove it today, facing the landlord and his lawyer saying, "Prove it." I have lost my train of thought.

There was no maintenance, but there was a kind of tacit understanding between tenant and landlord that if we did not complain or if we repaired things ourselves, then our rents would stay the way they were, that they were that low for a reason. Then suddenly a 74.1% increase, and we did not feel that any of the work we had put into our own units was recognized in that order. If the landlord gets paid for improving the exterior of the building, should we not realize something for the improvements we made in our units? It seems to only work one way.

The Vice-Chair: That completes the time allotted to the government party. Thank you very much for your presentation. I think you should be commended for coming here and discussing your viewpoints on this bill with us today.

Mr Drainville: On a point of order, Mr Chair, about some process things: I want to comment on the snickers I heard during part of the presentation of the last brief. I just want to note that certain members of the audience thought it was quite funny. I also want to note that when there were some reasonably inflammatory comments made by certain people who gave other reports to this committee, there was no comment by other people in the audience and no comment by the standing committee. We have been attentive and polite, and I think that kind of politeness needs to be extended to all people who present before this committee. I just think that statement needs to be said to certain people in the audience.

The Vice-Chair: I would remind the people in the audience that this is a committee of the Legislature and that audience participation of any kind is not permitted. Unless you are presenting to us, there can be no participation whatsoever.

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ORTON CORNER TENANTS UNION

The Vice-Chair: At this time I would like to call on the Orton Corner Tenants Union to come forward. If you would identify yourself and the group you are representing for the purposes of Hansard, then you may begin. You have 10 minutes to make a formal presentation and then the committee will have 10 minutes to discuss your presentation with you.

Ms Dean: My name is Heather Dean. I represent approximately 1,000 tenants of a two-unit high-rise complex in eastern Scarborough. There are 308 rental units, the majority of which are family units. I think I will be back when we are drafting new legislation, because I can just touch the tip of the iceberg here. I am trying to concentrate on our experience with maintenance and rent review, because I think that is what is relevant to Bill 4. I will put you out of suspense: the tenants at Orton Corner support Bill 4 unequivocally.

Our landlord is Jack Buchman, who is becoming somewhat notorious. Jack Buchman is the landlord you see on television when it is not Phil Wynn. He was fined \$40,000 for contempt of court for defiance of rent control legislation. He had to set up a \$210,000 trust fund. He continued to do exactly the same things he had done before. He was the person the Ryerson students were demonstrating against. He is the landlord who set up the tax shelter scam down on Jameson Avenue that was in the papers last week.

As he has become famous, I notice a tendency among people to say: "Oh, well, Toronto apartments, right. They are different. They are a fringe group. They are an outlaw element. They are not typical." We do not believe that. Our landlord's lawyers are Robert Doumani and Carol Albert, who are counsel to the Fair Rental Policy Organization of Ontario. His rent review consultant and sometime partner is Harold Sand Associates, which I think is the largest rent review consultant in the province.

I work on the tenant hotline and I hear a lot of things from a lot of tenants which lead me to suggest that our landlord is in fact quite typical. He is pursuing the same goals as every other landlord. He is trying to maximize his profits, and he is using the same tool, which is the legislation that has been in place over the past 15 years.

Our landlord did not go to rent review before 1985. He made an application to rent review in 1982 and then asked that it be withdrawn. He had it withdrawn for two reasons: (1) the commissioner asked him to file materials which, had he filed them, would have pointed to the illegality of the rents he had in place at the time; and (2) while he applied for a 25% increase, he was simultaneously renting out vacant units at a 50% increase. That was going quite well and he thought he could do better without rent review.

He went to rent review in 1985 because those two motives were removed when I began to file applications on behalf of the tenants for a declaration of their legal rents and a refund of the illegal rents that had been collected from them. As soon as I filed the first papers in the office, I went up to my apartment, the phone was ringing, and my

landlord wanted to have a meeting with me. We had a meeting at which he raised two major themes, one of which I saw on the television yesterday and heard today being raised with you, and one of which probably will not be.

He told me that I might think they were making a lot of money but really they were not because they had such a heavy mortgage burden. But I knew they had bought the buildings for \$3.5 million and their mortgage was carried for \$365,000. They had them now mortgaged for more than \$10 million, but that is simply using the buildings to raise money for another project. That is not a profit-and-loss element of the building. If it is in Revenue Canada, I think it should be closed.

The next thing he said was: "Look, all I have to do is throw money at these buildings for a couple of months, go to rent review and I can get the rents up higher than they ever were. Is that what you want?" That is from the horse's mouth. This is an outlaw landlord who has taken \$3 million in illegal rents from our buildings, did more than that from his other buildings in the city and said he was just eliminating the middleman. Rent review would achieve the same ends for him; he was just saving administrative costs.

We went to rent review. Our landlord applied for a 25% increase. I want to say, because we are hearing a lot about luxury renovations, that none of the elements for which he applied for an increase were not necessary. Every single one of them was something the tenants really believed should be done and really wanted to have done. They were all basic maintenance items: repaving the roof. It rained in the halls on the top floor. It definitely needed the roofs repaved.

I would like to go through a couple of them, though, to show why we felt we were being robbed by having ultimately a 20% rent increase put in to pay for these items. The first one was the brickwork. Our bricks were extensively spalled and we had been deficiency listed by the city of Scarborough for several years for that. Spalling is when water gets in the bricks; they freeze and pop out. In some apartments the rain was coming through the walls sufficiently to wreck the furniture and soak the rugs.

We had a contract filed that called for all necessary brickwork. It was an absolute contract. After the scaffolds were down and the workers went away, the inspector came back and said that less than 50% had been done. Under the contract, all the landlord had to do was pick up the phone, call the contractor and say: "You haven't fulfilled the contract. We've been inspected. There's outstanding work. Get back and finish." He did not do that. He did not really care if the brickwork was done or not. He had the cost to add to the rents and that was his major concern.

A major concern of ours is security. The landlord was awarded \$26,800 per annum to pay for security guards. We feel like Cinderella. On the stroke of midnight of the comparison year, they were fired. Since then, we have paid over \$100,000 for security guards we do not have.

We were told that our landlord was planning to go back to rent review this fall to put in security cameras. We were going to have a Cadillac security system. Some of the tenants were told that their rents were going to have to go

up \$200 a month but they could stop complaining about security because it was going to be taken care of in the next rent review application.

Last night we had a tenants' meeting where the tenants said maybe we could prevent this from happening if we hired security guards ourselves and took up a collection to pay for them. The tenants are already paying over \$30,000 a year for security guards but they were prepared to pay again. The irony of all this is that we have not had any locks on the front doors for the past six years. We are going to have security cameras, we are going to have security guards, but we cannot have a lock.

We have frequent break-ins and we have a lot of vandalism in the underground. We are not near High Park, we are in outer Scarborough, but we have homeless people sleeping in the stairwells also. I do not have a major problem with this. When I found somebody was sleeping in my car, I took a blanket down. The trouble is that when people do not have a bed, they also do not have a toilet. Most of the tenants are not Canadian-born. Some of the tenants find it very threatening that there may be this stranger down there and do not want to use the stairs. This is a serious problem because of the elevators.

Part of our rent review increase was for a change from a service-only maintenance contract for \$100 per elevator per month to a full-service contract for \$1,000 per elevator per month, which was going to rebuild the elevators over five years. The contractor would now be replacing the worn parts. That contract also was cancelled on the stroke of midnight of the comparison year, although it was a five-year contract that was filed.

The elevators broke down seriously, very badly. Kids were screaming and fighting their parents not to go on them, kids and dogs, who are a little closer to their instincts. The doors were easing open and then suddenly slamming. We had two broken legs and a broken arm—broken legs when the elevator did not stop level and a broken arm when somebody was slammed by the door. At this point, we were paying \$50,000 a year for elevator maintenance.

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We have come to two conclusions which are relevant to Bill 4. One is that giving money to landlords does not have any effect on the amount of money a landlord spends for maintenance. Our landlord in the years in which the buildings deteriorated was making a profit over operating and over his mortgage payments of well over \$500,000 per year. You can throw money at them; that does not make them spend it.

The second lesson we learned was that we were effectively without recourse. Renting residential housing is not a business like any other business. There are checks and balances in most businesses, and I really do not like to see landlords saying this is antibusiness legislation, because any other business would not need this legislation. If you raised costs and reduced services to the extent that Ontario landlords have done, you would not have any customers. That is the control that is there and that is what most business people are up against. But in our case we cannot mount any consumer resistance. Our commissioner to

another group of tenants said: "The tenants are not without recourse. They can move." We cannot move. Where do we go? How do we know we are not going out of the frying pan into the fire? Some of our tenants moved across the street and were immediately served notice for a 66% rent increase.

The Vice-Chair: We will pursue this during our conversations.

Mr Turnbull: Quite frankly, when I hear stories like yours, my hair stands on end. I am concerned that you have a perception that in some way Bill 4 will solve these problems. I am not suggesting that you are not telling the truth, I am simply saying that it would seem there are several violations of the law. Certainly I encourage you to pursue all courses, and I am sure we would be more than happy to help you in that in giving you advice.

However, I do have to say that I am concerned that you tar all landlords or most landlords with that kind of story, because I think the vast majority of landlords in this province are responsible. In the course of my work and my work in real life before I came into politics, I went into many apartment buildings that were in good repair; certainly there was no suggestion of no locks on the doors or people sleeping in the stairwells. But you have a particular problem. My question to you is: How do you think Bill 4 will solve these problems you have outlined?

Ms Dean: Bill 4 will not put locks on our doors. Bill 4 will prevent our landlord from raising our rents \$200 a month to install security cameras while he still does not put locks on our doors. He was coming for us. We were anticipating a rent review application this fall. We did not get notices of rent increase during the summer, the reason for which was to slide people forward so they would be eligible earlier for the large increase. To us, this was a shark fin coming through the water and Bill 4 has stopped that.

I agree that we have legal recourse theoretically. I have written cheques this year for over \$300,000 to tenants which are recoveries of illegal rent. Tenants got at least that much again by other methods, but I am burned out. I worked full-time for three years. I am not going to take 300 more cases under section 96 to the district court. It practically cannot be done, and the courts cannot handle a million tenants going in and suing. Theoretically, we could go to district court and say we are not getting what we are paying for and we want an abatement of rent until we get it, but we would have to go individually. There is only about one tenant lawyer per 100,000 tenants around, and practically we just cannot do it.

Mr Turnbull: How many bedrooms are there? How many bedroom units are they?

Ms Dean: There are 97 one-bedrooms. Actually, there is a mix of five: there are one-plus-dens; the majority are two-bedrooms; there are 28 two-plus-den; and 28 threes.

Mr Turnbull: For the two-bedrooms, of which there is a majority, what is the rent at the moment?

Ms Dean: It is all over the place. There is a \$200 difference between the top and bottom rent.

Mr Turnbull: What is the lowest and what is the highest?

Ms Dean: I think it runs from about \$400 to about \$650.

Mr Turnbull: Would you say that the majority of the people are beyond the point where this magic 30% is affordable?

Ms Dean: For the majority of the tenants it is not affordable. The majority of the tenants are refugees.

Mr Turnbull: Is this not a problem of getting funds into their hands?

Ms Dean: You can solve some of the problems of poverty by giving the poor money, but to me that sounds as though you are actually putting the money into the hands of the landlords but letting the poor touch it as it passes by and trying to tell them it is really money you are putting into their hands.

Mr Mammoliti: Rent review legislation is pretty complex, would you not say? It is tough for the average person to understand it.

Ms Dean: It is tough for a paralegal to understand it. When it came in, we had training course after training course after training course, and sometimes when I am on the advice line I still say, "Let me look that up and call you back."

Mr Mammoliti: I notice on your sheet that you mention your landlord's lawyers are Robert Doumani and Carol Albert. I do not know them.

Ms Dean: They are counsel to Fair Rental Policy Organization.

Mr Mammoliti: Pretty expensive lawyers?

Ms Dean: I have never retained them, so I really could not say.

Mr Mammoliti: Do you represent the people when you go down to the hearings yourself?

Ms Dean: Yes. I have legal support, but our commissioner has said there were 40 kilograms of documents filed. I had not weighed them but that is what he said it was. Those were all hand done by me. I did the case work and we had some legal support from the Metro Tenants Legal Services. It was a full-time job. I would never do it again. I am burned out. I am broke. It cost me my life savings to do these cases, but it was right and I do not regret it.

Mr Duignan: Thank you for coming here this evening and presenting an excellent presentation. Again, you have illustrated the need for Bill 4. The purpose of Bill 4 is to correct an imbalance in the present legislation, that is, the total unfairness to the tenants. Just to reiterate, you have firmed up my conviction of why we need Bill 4.

Ms Dean: I would like to say—you will find it in my brief—that we voted 95% for David Warner in my two buildings. Having gone through this experience, we finally came to the conclusion that this was the only help we were going to find.

Ms Harrington: You have certainly made a dramatic and forceful presentation of what the system is. I wanted to

comment on your statement that the system you were trying to use, the court system, or using the system on behalf of tenants, does not seem to be the right way to go because it is just too much work. It is not functioning. That is the reason we felt this problem has to be addressed in a very dramatic way as well.

Ms Dean: We look forward, when we come back to talk about replacement legislation, to some assistance in doing class action cases, because if each tenant has to go individually the courts cannot handle it and the tenants cannot handle it.

Mrs Y. O'Neill: You have made a reference on your last page to "our commissioner." Would you explain that phrase to me?

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Ms Dean: The commissioner on our case. I read some of his other decisions, and he was the commissioner who said, "If the landlord wants to goldplate the doorknobs, the tenants have to pay for it," and he said. "The tenants are not without recourse. They can always move out." I am saying, you know, that we cannot.

Mrs Y. O'Neill: So this is the person you deal with in the court?

Ms Dean: No, this is the person who heard our rent review case.

Ms Poole: The administrator? Or was it the appeals board?

Ms Dean: We were under the Residential Tenancy Commission. We were the last case heard by the RTC.

Mrs Y. O'Neill: I see. Okay, that is the terminology.

Ms Poole: Yes, the commissioner.

Mrs Y. O'Neill: You obviously are a tenant advocate and have worked on the hotline and I presume almost paralegally worked—

Ms Dean: Actually, I grew into that. I started just as a tenant at the beginning of all of this.

Mrs Y. O'Neill: So have you become a paralegal?

Ms Dean: Yes. My funding was just restored a couple of weeks ago. I do the after-hours service at MTLs, so my rent as of last month was an infinite amount of money on account of I did not have any income at all, and now it is about 60%.

Mrs Y. O'Neill: May I ask you what kind of tenant organization you have in the two buildings you have mentioned, or if you have one.

Ms Dean: I do not know; what kinds are there?

Mrs Y. O'Neill: Do you have a tenant organization or are you just a touch point for tenants? Are there regular meetings?

Ms Dean: We have a tenant organization. Our meeting rooms were turned into commercial space and we have problems with regular meetings. We get the library from time to time. We have one coming up in a month or so. Our core group is small enough to meet in somebody's apartment. But as I think you are realizing, that is separate from the court action which was me as agent, essentially.

Mrs Y. O'Neill: That is what I am trying to find out, if there is an organizational structure that you support or that you liaise for.

Ms Dean: Yes, there is. We have been approached by our landlord to find out if we want to buy the building from him. Not directly; he has approached Tenants' Non-Profit Redevelopment Corp. The first time he approached TNRC he was talking about \$80,000 a unit, which was economically not practicable. He bought the buildings 11 or 13 years ago. Now the market has crashed. This is true. The landlords will come and tell you the market has crashed. Thank God for it because we keep hearing that the real estate market in Toronto is what is driving the whole country into a depression. But now he has come back and he has made an offer that is worth discussing. We might possibly be able to manage financially to buy the building. I agree with Howard Brown before me. That is going to be the answer for us.

Mrs Y. O'Neill: So this will be co-operative housing?

Ms Dean: Yes.

The Vice-Chair: Thank you, Ms Dean; a most informative presentation. Before we call the next presenter, I have been asked by one member of the committee to remind people that at the committee all the rules of the Legislature apply; that is, immunity exists for what members of the Legislature say here in this room. It does not, however, apply to any presenters. I would just caution people that the immunity is only for members of the Legislature and that the normal laws of slander and libel apply, so govern yourselves accordingly.

Ms Poole: That has certainly put a damper on the proceedings. We will not be able to say anything now.

WIND-O-MART LTD

The Vice-Chair: The next presenter is Wind-O-Mart Ltd, Martin Cash, owner. Mr Cash, perhaps you would identify yourself for the purposes of Hansard and any organization you may represent. You have 10 minutes to make your presentation and then the committee will discuss the presentation with you for 10 minutes.

Mr Cash: I am representing myself, Martin Cash. I am representing my partner, my father, Tom Cash, and I also am representing—I have attached to my submission a letter from the Metro Toronto Glass Association of which we have 170 member companies. Saying that, I would like to proceed with what I have here. I was just given this position yesterday at 5 o'clock, so I am going to try to do my best and get this out.

My name is Martin Cash, as I previously said, and I am vice-president of Wind-O-Mart Ltd. My family has been in the window and related glass business for 35 years in this province and I am proud to have been in this business for 12 years myself. I am here representing myself, and as I said previously, the Metro Toronto Glass Association. The association has a membership in Ontario of 170 companies.

Wind-O-Mart produces, distributes and installs aluminum replacement windows and doors to apartment building owners and property managers throughout On-

tario. Our products have always been kept up to date and approved by the Central Mortgage and Housing Corp and of late under the new Canadian Standards Association standards. They are environmentally friendly and dramatically reduce the heating and air-conditioning costs in the buildings we install them in.

There are thousands of suites in Ontario that have single-pane windows. These suites must be updated with new windows in order to provide an energy-efficient environment and a comfort level that would be acceptable. These replacement windows are an important structural repair and safety factor as well as a good means of reducing the noise level to these suites.

Landlords must have a reasonable return on their investments so that businesses and jobs are provided in the building and renovation industry.

Wind-O-Mart employs full- and part-time a total of 80 jobs. There is no doubt in my mind that I will have to close my company as a direct result of the proposed legislation by the NDP. The domino effect on our suppliers will result in hundreds of jobs lost and potential fatalities throughout our industry.

To highlight some of the events that have taken place since the announcement by the Minister of Housing of his intentions, the first point I have is that the week of the announcement more than 50% of our work in progress, in excess of \$2 million, was cancelled; the second point is that contracts that were about to begin were put on hold representing \$5 million.

As a result of these cancellations, we are now in legal proceedings with many of these customers. This situation has never happened before in the history of our company. This is all as a result of the announcement, regrettably, I must add, by the Minister of Housing of a two-year moratorium and the proposed changes to the rent review system.

In planning our business policies, we have always relied on stated government policies and legislation. I feel that retroactive legislation and governing by policy statements is not fair ball.

Businesses cannot govern or plan their affairs without predictability and consistent governing. In other words, we require forewarning and some notice of major policy shifts that are going to impact on our ability to do business. Surprise retroactive announcements do not give us ample time to restructure our affairs so that we can try to remain economically viable.

Some business people might reason that they can survive this upset, but even those people are questioning whether they can survive repeated upsets of this nature without adequate prior notice.

Business people will not take that risk. We need assurance from this government that it will govern predictably, that business people will be given adequate prior notice of policy shifts so that they can plan their affairs. We cannot turn on a dime. Without predictability and confidence in this government, business will leave Ontario. I cannot emphasize that enough.

Landlords are the tip of the iceberg. No business is safe unless all business is safe. Entrepreneurs will not sit back

idly and watch their business concerns being wiped out one by one by the stroke of a legislator's pencil.

I am an Ontarian. I was brought up in this province. My family lives in this province and I am proud to be an Ontarian and I will not be forced out of this province as an economic refugee without a fight, but I am also a businessman and my business judgement tells me that the government's conduct is having a freeze-drying effect on business opportunity. I may have to look outside this province to earn my livelihood.

1750

I urge government to send a message to the business community of this province, loud and clear, that you will not govern by cocktail party announcements, that you will announce your intentions to make major policy shifts well in advance of their implementation, that you will consider retroactive legislation as abhorrent, that even if capital improvements are recognized in some fashion, confidence has already been lost in this government, and owners or investors will be reluctant to jump right in to fund and finance these necessary improvements.

By the time the capital improvement issue has been legislated, the destruction of businesses and jobs will already have had a disastrous effect on the economy. Most importantly, you must recognize that without the predictability business cannot and will not remain in this province.

That is what I have to say. Attached I have a letter from the Metro Toronto Glass Association which I would like to read. It is dated today and addressed to me:

"Dear Mr Cash:

"As discussed with you today, we hereby acknowledge our full support in your effort to convey the effects to our industry of stated government policies before the committee hearing, at the Ontario Legislature today.

"Unquestionably, the ripple effect of the government's policies have already proven to be extremely negative throughout our industry.

"Our views coincide with yours that business in our province should be given ample notice of policy shifts so we can prepare accordingly.

"On behalf of our 170 member companies which employ thousands of workers in all aspects of the glass and metal industry, I remain"—and it is signed by Steve Wetmore, the secretary of the association.

Furthermore, I have many letters and correspondence not only with some of my customers, but also with Mr Rae and Mr Cooke because I felt so strongly about this issue.

In my short notice of being heard today, I thought it might be prudent to enclose one particular letter from a client of mine. It is from the Lesbury Company Ltd and it is from a chap by the name of Ricky Burton who I consider to be a very reputable and upholding landlord in this province. He writes to me:

"Dear Marty:

"I am sorry that I cannot go ahead with the plans to install new windows and doors in our buildings in Hamilton.

"You have already done two of our buildings in Toronto. The money spent was well worth it. There are energy savings and increased tenant comfort.

"As you know (and you do know very well indeed) because many other customers like me also cancelled new windows, it's Bob Rae's NDP government that plans strict rent control law that makes it impossible for landlords to pass through to tenants the cost of capital works like new windows and doors.

"New windows and doors are not frivolous expenses or 'luxury renovation.' The new windows and doors you make are replacing obsolete single glazed windows that are 25 years old.

"You have laid off 20 workers. I got to know some of the men when they were working at Dervock"—which was a project I had done for him—"They are good hard workers. The type of worker that Rae keeps saying he will protect. You should tell them that it's Rae's policies that are directly responsible for their job loss."

I thought that that one was a good enclosure.

Ms Harrington: I want to say that you have made your position extremely clear in your presentation, that we as a government have to have a concern with business as well as workers, as you mentioned. I thank you for coming and in the interests of time I think we will keep going here.

Mr Mammoliti: Like my colleague, I am glad you came as well because it is important for us to get everybody's opinion and we are certainly taking it in. I just want to ask you one question, and believe me, your answer will help me.

Mr Cash: Certainly.

Mr Mammoliti: In my riding alone there are hundreds of people who have been forced out of their units because of increases. How can they take advantage of your windows when they are sleeping on the streets?

Mr Cash: This is a question that of course could have many answers. Window repair is necessary and window replacement is necessary in that all products including human beings—we all have a life expectancy, and given the situation where a lot of these single-pane windows and the comfort level that they provide is very poor—the Ministry of Health has been in many, many of the suites that I have been asked to come into where they literally cannot raise 65 degrees in the middle of a room. They have their ovens going, their doors open, baseboard heaters, blankets and the whole bit.

I am not saying that every building needs window replacement, but it has been noted by the government that windows are a structural part of the building and that they are in most cases where these situations that I have outlined are apparent.

Mr Mammoliti: What am I supposed to say to the person who sleeps on the street because he cannot afford the rent?

Mr Cash: On my views about the person who sleeps on the street, I do not even know whether I should get into this right now because my view of a person who is—

The Chair: I think the committee asked me this morning to try to keep our comments on Bill 4. Social policy is important, but the standing committee on social development will deal with a lot of that important stuff. Mr Mammoliti, anything else?

Mr Mammoliti: No, I just wanted the answer to that question.

The Chair: We are going to move over to the Liberals.

Mrs Y. O'Neill: I am very pleased that you have come because if my memory serves me correctly, you are the first employer and tradesperson to come before us to explain the exact results of your own personal experience in your own personal small business. I want to ask you a couple of questions. You indicated some of the reasons that people seek your services and one of them, you seem to suggest, is safety, as well as comfort. I wonder if you could tell us about the life expectancy of a window.

Mr Cash: Yes, I do have some information which I could present—I do not have it with me—that Canada Mortgage and Housing Corp, upon its acceptance of certain products today, deems a window 25 years and that is with ongoing repair that will have to be done during its life expectancy. That is of the double-glazed product that is manufactured in today's era.

Mrs Y. O'Neill: So this would certainly be something that in most of the buildings—when we had the building boom in the late 1960s, it would be one of those very solid needs that is very broad.

Mr Cash: Absolutely.

Mrs Y. O'Neill: Energy efficiency is being encouraged and certainly energy conservation is a theme of the government, a very strong theme. Were many of your customers involved with that component or did they all have need?

Mr Cash: Most of my customers, I must say, are all very legitimate operators in this industry. I am fortunate not to have had any of the so-called luxury improvements.

Mrs Y. O'Neill: I do not think that this government—certainly if I hear what it says in the House—talks about energy efficiency as being a luxury and I do not think that anybody in Ontario can talk about energy efficiency as being a luxury.

Mr Cash: I agree with you wholeheartedly.

Mrs Y. O'Neill: But were any of your customers going that way?

Mr Cash: They all were. They all considered the fact that the energy-efficient aspect of the installation would cause not only improved costs in energy consumption, but as well increase the comfort level for the tenant in the suite.

Mrs Y. O'Neill: My final question has to do with the legal proceedings. I presume that this is costly for you.

Mr Cash: Extremely.

Mrs Y. O'Neill: You are no doubt, if I may ask, taking on people who you have had good business relationships with you before. Is that correct?

Mr Cash: Exactly. I have had an ongoing business relationship for many years with many of these customers, and because of these litigations we are forced as a result right now, of course, to break ties with them. Really we do not have much room to move. We are basically just finishing up what we have. We see no opportunity for much out there at all.

Mrs Y. O'Neill: You are taking proceedings against people whose work you have completed.

Mr Cash: In some cases, we are suing for non-performance of contracts because contracts were signed based on the existing legislation and they are not conditional contracts. They are contracts that are—what do you call it?—bona fide contracts. They are not conditional. Therefore, we do not care where they get their money from. We are dealing again with the building owners, and if they are not going to take them we are going to sue them.

Mr Turnbull: Mr Cash, at this moment do you have windows which you have specifically manufactured for buildings?

Mr Cash: Yes, absolutely. I have one particular instance that I can outline. At 440 Winona Drive in Toronto we have two trailer loads. When I say "trailer loads," I mean full 45-foot tractor trailer loads, dollar value at a couple of hundred thousand dollars, sitting for at least a month now and they just will not allow us to begin. They are sitting there. They are padlocked and the owners are saying: "We don't know what the ground rules are. They've changed the law from underneath us."

1800

Mr Turnbull: How many employees do you have?

Mr Cash: We have 80 full and part-time.

Mr Turnbull: Is all of your business just putting windows in apartment buildings?

Mr Cash: Yes. We have specialized in this industry for the last 12 years and it has been a growing industry for us. It started off very slowly, but we always felt that energy conservation and the improvement of the single-glaze stock in Ontario is inevitable and it is going to come and we have committed our business careers to changing windows in this province.

Mr Turnbull: In your opinion, if Bill 4 goes through and if there is in subsequent legislation the provision to get capital cost flowing through to the tenants, do you think the confidence will come back immediately from the landlord?

Mr Cash: It is my opinion that it will not come back.

As everybody has asked me to be quiet, I wonder whether I can get the attention of the NDP.

Interjections.

Mr Turnbull: Mr Cash, in fairness I must say we have had a very long day of sittings—

Mr Cash: Okay. I am sorry. I know I am getting the attention of the PCs, but I certainly want to get the attention of the prevailing government.

To answer your question, I do not feel that confidence is going to be here in this business climate as a result of this type of legislation the Minister of Housing has put forth. It is much like a locomotive. Once you stop a locomotive, it is very hard to get it back up to full speed again. Even if the legislation were changed tomorrow, I would venture to say it could take a year for some sort of economic climate to come back.

Mr Turnbull: On a per-suite basis, how much does it typically cost to outfit your windows, let's say, in a hypothetical 40-unit building?

Mr Cash: A 40-unit building would cost about \$60,000, about \$1,500 per suite.

Mr Turnbull: Do you have any statistics on how that would impact the energy consumption of that building?

Mr Cash: Statistics are a very hard thing to come up with. I could try. Because of the nature of the buildings—some are walkup, some are high-rise, some are low-rise, some are long, some are tall, different heating systems, different technologies available at the time of their construction—it is a variable amount, but I know from my own personal experience, comments I get from superintendents, consulting engineers, the boilers are all cut back in these buildings upon the installation of new product some 20 to 30 heating degrees.

Mr Turnbull: A final question. Of your 80 employees, if this bill goes through, how many will you have?

Mr Cash: Zero.

The Chair: Thank you, Mr Cash, for your presentation before the committee today. We are pleased to have you.

Mr Cash: Thank you for the time.

TANDEM REALTY ADMINISTRATION INC

The Chair: The next witness before the committee is Tandem Realty Administration Inc, Bert Reitter, I believe. Please come forward. The procedure is the same as I have explained many times today. You have 20 minutes. We would like your name and position for the record.

Mr Reitter: Thank you very much. My name is Bert Reitter. I am the president of Tandem Realty Administration. My company manages on behalf of about 25 owners approximately 3,000 apartment units. Personally, I own minor shares in several of the buildings we manage. I have been a property manager since 1967 and have accumulated over these 23 years what I believe to be a keen understanding of the way our industry works. I believe I am qualified to speak to you today.

I would like to take this opportunity to make my comments to you essentially in two parts. First, I would like to examine the proposed Bill 4 in all its implications and, second, I would like to present to you viable alternatives.

Bill 4 proposes two major changes to the existing legislation. First, it intends to discontinue the allowance to

eliminate a financial loss and, second, it suggests that there should no longer be given any consideration for capital expenditures incurred by the landlord. Beyond those two changes, this bill proposes a third consideration. It intends to mandate that the above changes be made retroactive, a proposition so totally alien to previously known interactions between any two parties within a civilized society as to stagger the imagination of those of us who wonder what incredible ideas this government will think of next.

Please allow me now, within the limited time at my disposal, to examine in greater detail the three points raised so far.

As I am sure everyone in this room understands, Bill 51 recognizes that often a property is purchased which, given new financing costs, will for the first years operate at a loss. In order to eliminate this financial loss, a landlord receives an entitlement to increase the rents within such a building by 5% per annum or by the total financial loss, whichever number is the smaller.

Properties were bought showing initial losses long before rents were controlled in Ontario in 1975. A purchaser knew that within two or three years he would reach a break-even point and that he could look forward to moderate profits in future years. Rents were charged carefully and in full consideration of the competition provided by the free market system. The seller in such transactions would be able to obtain a fair market value for his property.

Purchase prices and financing which resulted in these initial losses have, in other words, always been with us and have not been created by any rent review legislation. To eliminate such an allowance clearly will reduce the value of all our properties, in some instances to an extent where the reduced value is no longer sufficient to comply with the lending criteria of our financial institutions.

To make matters worse, the value which Mr and Mrs Owner visualized would ensure their retirement will not be available for them. The security for the autumn of their years will have gone up in a puff of smoke, because it is essentially an economic game of smoke and mirrors which our government has embarked upon: the smoke, Bill 4, and the mirrors, the non-profit housing, the government-financed accommodation with which the NDP proposes to replace privately held rental properties. The elimination of the financial loss consideration is sheer folly, as it flies in the face of economic reality.

Let me now examine, please, the proposition to disallow any increase in rents to compensate the landlord for the costs incurred through major or capital expenditures. It has been suggested by certain members of the NDP that surely such a capital expenditure as the replacement of a roof is the cost of doing business. Let me assure you that even a superficial examination of the financial history of an average property in Ontario which has been controlled for the past 15 years would show quickly that there are no funds available for the replacement of a roof, for instance, unless these funds be raised by the ultimate consumer through increases in monthly rents. The collection of such funds which might have formed a reserve fund was made illegal in 1975 and has continued to be illegal since then.

No financial institution would lend money unless it could be reasonably certain that its loan would be paid back. No roofer would undertake the work without the owner's assurance of being paid for the completed task. And, I assure you, no building owner could give such an assurance unless he in turn was certain he could ultimately collect the required funds.

In the final analysis, municipal bylaws, building standards and other rules and regulations notwithstanding, this roof would not be replaced. Lacking the funds, this roof could not be replaced.

A building owner who replaced the roof and, let us say, the plumbing lines and obtained an increase through his application to the minister did not, contrary to popular belief, pocket all this extra money. He simply collected these funds and passed them on to his bank which previously had lent him the required amount so he could pay the roofer and the plumber. For the next 15 years the landlord is simply a channel for the funds required to compensate the tradesmen.

1810

Why, asked both our Housing minister and Premier, should landlords receive huge rent increases for doing luxury renovations? Please note the clever juxtaposition of the words "huge" in connection with increases and "luxury" in connection with renovations. The question must be asked: Is it a luxury renovation when a building needs major repairs to a salt-damaged concrete garage or balcony slab? Is the replacement of a 15-year-old roof or the exchange of corroded plumbing lines with new copper lines really such an unnecessary luxury? Of course not. They are an absolute necessity if we want to preserve the structural and mechanical integrity of our buildings and if we wish to continue to protect the health and lives of their occupants and provide an environment in which our tenants can feel safe and comfortable. To do less would be negligent.

What, then, are the increases which were passed on to the tenants for such vital, major expenditures? Messrs Rae and Cooke tell us that they are huge, that they are 30%, 40%, 50% and in many cases 100% and 150%. The statistics compiled by their very own ministry clearly put the lie to such statements. Increases granted for capital expenditures averaged 3%. Why, I ask you, would honest gentlemen, and I am certain they think of themselves as honest, publicly make statements and issue claims which are totally and diametrically opposed to the truth?

Maybe they did not know the truth. Maybe they really believed what they said, but then we must consider that the truth is not buried in some inaccessible basements. The truth lies openly in the records of the Ministry of Housing. We can all assume that at least one person has access to these records—the minister. I had access to these records.

As if eliminating financial loss and capital expenditure allowances were not devastating enough, this government compounds this devastation by proposing that these changes be applied retroactively, cancelling previously issued guarantees made by the government of Ontario, declaring previously issued orders void, and telling its citizens if they trusted their government and made their plans accord-

ingly they did so at their peril. The only true alternative is to abolish all rent controls and to allow the free competitive market to control rents and to encourage the supply of housing more efficiently than any legislation can.

What about those members of our society who truly need our help? With the money this government could save on the administration of this law alone, we could go a long way towards targeting the group and offering better and more meaningful assistance to those in true need. In other words, we target those in need. We must not wastefully sprinkle our subsidies over the entire renting population. There are those who would be hungry; society at large nurtures them not by controlling food prices for everyone but by satisfying the specific need of the truly needy. There are those who are ill and cannot afford to purchase necessary medication. Society satisfies this need not by giving free or price-controlled medication to all and sundry, rich or poor, in good health or ill, but again by giving specific help to those in true need. Clearly there are those who need shelter but have insufficient means to pay. We must, as a caring society, identify those individuals in need and extend our help freely, generously but specifically.

The solutions therefore are as follows: Allow rents to increase where capital expenditures are structural or mechanical, where they affect life and safety issues or, in the case of cosmetic changes, where the majority of tenants have agreed. Cap these increases occasioned by such major expenditures at, say, 7% unless previously demonstrated circumstances make a higher increase absolutely mandatory. Our aging housing stock demands that this work be done. We must not fall into the radical trap which suggests that an aching toe is best cured by the amputation of the leg above the knee.

Permit the elimination of financial losses, but do not recognize secondary sales and additional financing for a five-year period. The government's fear of, as Mr Rae puts it, "flip, flip, flip," would thereby be put to rest. But the economic reality of initial operating losses in this or any other business cannot be simply wished away, cannot be legislated away. It must be dealt with in a rational manner.

Finally, I urge the members of this committee to recommend to their respective parties that this bill, whatever its final form, must under no circumstances be retroactive. A building purchased, considering all existing laws, an application filed with the ministry in good faith, moneys borrowed and spent with the government's encouragement, must never be turned into an economic disaster. If we cannot trust our government to treat us fairly, then in heaven's name, I ask you, who can we trust?

The Chair: Thank you, Mr Reitter. The Liberals are first in this go-round.

Ms Poole: Thank you for an excellent presentation. I am particularly pleased that you saw fit to put recommendations at the back. As you read them, I was looking through and reading between the lines. It is helpful to us as a committee to have specific recommendations. Particularly, one of the solutions you have suggested is: "Allow rents to increase where capital expenditures are structural or

mechanical, where they affect life and safety issues or, in the case of cosmetic changes, where the majority of tenants have agreed." I think that type of thing is very helpful to us and I do appreciate the fact that you took the time to come to us. I have no questions.

Mrs Y. O'Neill: May I just have a little question? I feel that schedule B, although you did not refer to it in your presentation, also deserves note. As has been said by many people here today, retroactivity and the principle of retroactivity is the most unpalatable part of this whole Bill 4, which is the bill we are speaking to. I think you have given some very good comparisons in schedule B of what retroactivity would do in other areas of the community if it was applied. I also feel that your schedule A, which is a repeat of what we know is fact and what are actually ministry figures, is put very clearly and succinctly.

I also appreciate your recommendations, because they are balanced, they realize that there are abuses, and there are systems built into your recommendations that would assist in only granting increases that were based on real expenditures which were part of either the purchase or the necessary improvements.

Mr Reitter: Actually, due to the limited time—10 minutes is, when one thinks of it, a very short time to speak on an issue that is so wide-ranging. It seems to me that the schedules I have attached in my brief, of which I hope all of you have a copy, schedules A through schedule F really tell the story much better than I was able to in, as I said, the 10 minutes granted me. I am nevertheless grateful for the 10 minutes.

Mr Tilson: We have had several examples today of situations where landlords have relied on the existing rules, have undertaken renovations, have proceeded with phase-ins, have received permission to complete phase-ins, have received the approval of tenants to proceed with renovations and now, of course, this legislation has created havoc for them. Many people have been coming and writing to us, writing to the government, making statements to these hearings that they will be bankrupt if that type of retroactive legislation you referred to is proceeded with. In your capacity, sir, how many types of situations are you aware of?

1820

Mr Reitter: In the portfolio which I manage and supervise for a variety of small- and medium-sized investors and one larger-sized investor, I know of at least eight buildings which are seriously jeopardized, to the extent that the investors are asking themselves the question: "What do we do? We can't walk away, because of our personal reputation. We can't, ad infinitum, feed those buildings negative cash flow." Of course if Bill 4 is made retroactive in the draconian manner in which it is suggested, the negative cash flows will go on for ever; it will never be eliminated. So a very serious investor who has brought money into this province and created employment thereby is now asking himself: "What do I do? I can't walk away from it, because my reputation is at stake. On the other hand, I can't continue feeding these buildings for ever."

It is a situation which simply must be solved on the legislative front and, again, I implore you to consider the retroactive provisions of this bill most seriously.

Mr Tilson: What are the investors and bankers telling you about this legislation?

Mr Reitter: I had today a most unfortunate conversation with a banker, who has turned me down when I wanted to refinance a mortgage which up to now was well within the 75% value. The building can barely afford the refinancing. The owner was prepared to give personal guarantees and establish a letter of credit. Everything was practically put to bed except the documents were not signed. I was today turned down because the lender felt that the value had descended to such an extent that he was now going to borrow money up to 90% to 95% of value and he would not do that. So I cannot refinance this mortgage, and I must refinance it somehow.

Mr Turnbull: So the implications of what you have just said is, the lending institution in fact was indicating that there was something between 15% and 25% depreciation in the building as a result of this legislation.

Mr Reitter: I would go so far as to say that there was in reality 25% to 30% depreciation.

Mr Turnbull: If companies—you can specifically mention your own or other companies in general—are unable to arrange refinancing, what will be the implications of this?

Mr Reitter: Depending on the financial situation of the building, the bank would take the building over for the outstanding debt or the vendor, if it was a recent sale and there is a vendor takeback, would take the building over. The investor would probably go bankrupt or sustain serious losses. I mean, we have heard it today. We have heard it today where people have been pleading with you with tears in their eyes. And I am not using hyperbole; you have all seen it.

Ms Harrington: I certainly thank you for coming. You mentioned just now in your conversation with the other member that the value had gone down a dramatic amount of, what, 15% with regard to your refinancing problem. I think it is clear to say that the market has been in a downswing in Toronto since the beginning of 1990 for the housing market and apartments. So it is not just to do with this particular bill that the market is different now. Would you agree?

Mr Reitter: I would agree with you when you suggest that in Ontario at the moment we have problems that exceed those of Bill 4, but in the conversation I had today with the lender, he made specific reference to Bill 4. He had done a calculation and he said: "Just a rough calculation: Your building, if Bill 4 gets passed, drops by X% I can't lend you the money until I know what's happening with Bill 4."

But you know, I am not here to cry, "Poor investor." I am here to cry, "Poor tenant, poor landlord, poor Ontario," because it is the tenant who is going to suffer every bit as much, if not more so, because he will have to live in deteriorating housing stock.

Our Housing minister wrote a letter to me and in this letter he said, very, very quietly, "Well, you know, Mr Reitter, of course, that there is such a thing as the Landlord and Tenant Act and building standards. You still will have to go on doing the things that need to be done." Come on. Nobody needs to tell me that there is a Landlord and Tenant Act and there are building standards. The fact is, if there is no money, no legislation can accomplish it. You cannot take the act and make your roof tight. You need gravel and tar.

Ms Harrington: Okay. I think we can agree certainly that rents have to cover the cost of maintaining the building and you have to have a fair profit on that and you also have to have money to do the capital expenditures when they come along. The government realizes that.

Mr Reitter: And such a prohibition must not be retroactive.

Ms Harrington: I would like to thank you for some of the suggestions you made here. You were putting some positive aspects to your presentation. Where a building needs structural or mechanical help, we realize that the money has to be there and the only source of it in the end is the tenant. We understand that. I think all tenants understand that too. But I think, from your presence here this afternoon, you probably have heard some of the conditions that exist in Toronto from the tenants' point of view. We have to address this whole province and we are very much trying to do it fairly. Thank you.

Mr Reitter: The lady from Orton Corner—a landlord like this is on the periphery. I am not here to defend his action.

Ms Harrington: Okay. Thank you.

The Chair: You have 30 seconds left, if anybody wants to use it. No?

Mr Tilson: Yes, Mr Chairman.

The Chair: No, I meant the NDP had 30 seconds. Mr Reitter, thank you for coming.

Mr Reitter: My pleasure. Thank you very much for listening to me.

KANEFF GROUP OF COMPANIES

The Chair: Our last presenter for today is Gabriella Favero, Kaneff Group of Companies. I noted that you were here most of the afternoon, so I think you know what the procedure is. You have been allotted 20 minutes and 10 of those 20 minutes are for your presentation.

Mrs Favero: Thank you. Ladies and gentlemen of the committee, my name is Gabriella Favero. I am a vice-president with Kaneff Properties Ltd in Mississauga.

In the time allotted to me today, I would like to describe for you the disastrous results that will befall Kaneff Properties Ltd if Bill 4, An Act to amend the Residential Rent Regulation Act, 1986, is enacted and proclaimed in its present form, but first I would like to give you a brief history of the development of Kaneff Properties.

Kaneff Properties was started by Ignat Kaneff, who came to Canada and to what is now Mississauga in 1951

as a penniless immigrant from Bulgaria. On coming to Canada in 1951, Mr Kaneff began working for a construction company as a labourer. But he learned quickly, and with hard work he was able to purchase a single building lot. He built a house on this lot in his spare time. This was his start in the construction business in 1952 as a very small housebuilder. That first house was completed and mortgaged, and in 1953, also in his spare time, he built two houses for sale.

By 1954 Mr Kaneff had left the employment of Shipp Corp and began to build single-family houses on his own; 1954, 1955 and 1956 were taken up with building single-family homes, and each of these years Mr Kaneff was able to increase his output. By 1956 Mr Kaneff had incorporated Kaneff Construction and began to build more single-family homes year by year.

By 1958 Kaneff Construction began to venture into the development and construction of rental housing with its first project, a very modest nine-unit rental apartment building located at 15 Paisley Boulevard in Mississauga, what was then known as Toronto township, all the while continuing to build single-family homes in the largely rural municipality. In 1959 Kaneff, having completed the nine-unit building, ventured into a somewhat larger project, 45 rental apartments, and in 1960 the company built another building, also rental apartments. In 1961 the company built a similar rental building in the town of Brampton. This modest activity continued during the early 1960s until 1967, when Kaneff Construction Ltd greatly increased its output in a much larger-scale building containing 242 rental apartments.

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Since that time the company has built literally thousands of apartments in a large number of buildings, both rental and condominium apartments for sale. During the course of this activity, it was necessary for the company to sell off some of the buildings to raise capital to build further rental housing projects. Through this activity of building, renting and some sales over a period of years, Kaneff Properties built up a portfolio of rental apartments of about 2,000 units contained in eight high-rise buildings located in Mississauga and Brampton.

Kaneff Properties presently manages its entire portfolio of over 2,000 apartments with its own management staff, and all of that rental housing portfolio being managed by Kaneff was originally built by the company. The company has never purchased a rental apartment building built by other developers or builders. The eight rental apartment buildings to which I refer range in age from 11 to 22 years and have reached a point in their lives where various components of the buildings had worn out, had reached the end of their useful lives and required some major capital expenditures in order to protect the structural integrity of the buildings and to make management more efficient and effective.

It was at that time, some years ago, that the company arranged for engineering surveys to be made of structural elements in several of the buildings and engineering recommendations by the company's engineering consultants were made to the company. As a result, certain expenditures were made. The company accepted those recommendations

and decided to carry out an extensive capital expenditure program to rectify the structural deficiencies indicated and recommended by the consultants, together with items that were other than structural, but none the less necessary.

It should be emphasized very strongly that none of the capital expenditures planned and subsequently carried out could be considered of a luxury nature or frivolous in any way. Capital expenditures made by the company were basic and essential, the structural work verified by engineering surveys and necessary to the structural integrity of the buildings concerned. Failure to carry out the capital expenditures which were in fact made could only result in serious deterioration of these buildings, which could of course result in dangerous conditions and inefficient and ineffective maintenance.

It should also be emphasized that when planning, financing and carrying out the capital expenditures which were in fact made, Kaneff Properties Ltd obtained expert advice with respect to the Residential Rent Regulation Act and the proper procedure to follow, and relied implicitly on that statute and the regulations made pursuant to that statute in carrying out its capital expenditure program on these eight buildings.

As a precaution, and at the insistence of its bankers, who advanced to Kaneff Properties the necessary funds to carry out the expenditures, in each case an application was made to the rent review services branch of the Ministry of Housing pursuant to section 89(1) of the Residential Rent Regulation Act for a conditional order of the minister for the capital expenditures made in each building. In each case a conditional order was received from the minister under section 89(2) of the Residential Rent Regulation Act on which the company and its bankers relied implicitly before advancing the funds and before carrying out the capital expenditure in each of the eight buildings.

The first of those conditional orders was dated 1989. The extensive capital expenditure work on each of these buildings was done during 1989 and 1990, and upon completion all of the required work indicated had been done and the buildings restored to their original standard.

In each and every case, Kaneff Properties, in doing this work, relied implicitly on the state of the law as it was then and relied on the conditional order of the minister that had been received in each case covering those capital expenditures as actually carried out. This scope of work could not have been accomplished and would not have been undertaken if the law had not provided for the recovery of those capital expenditures from an increase in rental revenue.

The details of the capital expenditures carried out in each of the buildings are set out in the brief that was given to you. Essentially, the work involved was rectification of parking lots and parking garages, roof systems, plumbing repairs, balconies and appliances in the four older buildings which had worn out due to aging.

In total, the capital expenditure made by Kaneff Properties Ltd on these eight buildings was \$12.5 million. Of this total expenditure, one building, 2300 Confederation Parkway in Mississauga, was finished prior to some others, and an application for rent review was submitted earlier due to the fact that there was no underground parking

garage, merely an outdoor parking lot. That application was in fact processed and an order received. But except for that one relatively small sum of \$12.5 million, the capital expenditures made on the eight buildings, if Bill 4 is enacted and proclaimed in its present form, \$11.8 million in capital expenditures will be non-recoverable due to the fact that the first effective date of rent increase in each of the remaining seven applications falls after 1 October 1990 rather than prior to 1 October 1990, as Bill 4 as presently constituted will require in order to permit recovery. It is this horrendous, and I do emphasize the word "horrendous," retroactive aspect of Bill 4 that will affect our company in a disastrous way. Bill 4, as presently constituted, would make all of these capital expenditures made by Kaneff Properties Ltd in accordance with the Residential Rent Regulation Act and the regulations made pursuant to that act, and relying upon the conditional order of the Minister of Housing, which was a lawful activity at the time it was carried out, unlawful retroactively, and prevent the landlord, in each case Kaneff Properties Ltd, from recovering those capital expenditures by way of increased revenues.

The entire \$12.5 million to which I have referred was borrowed from the company's banker, the Royal Bank, which relied on the conditional orders of the Minister of Housing in making the loans. In fact, the requirement for the conditional order was made by the bank. In making these loans and the advances, the bank relied on the conditional orders and upon the projected revenue of each building based on those conditional orders after the capital expenditures were completed.

Bill 4, as presently constituted, would therefore prevent the recovery of the capital expenditures to which I have referred and will result in a financial situation to the company whereby the cash flow of these buildings will be insufficient to permit the company to carry on normal business operations. The result would be serious financial losses to the company, with no way to recoup those financial losses.

Ladies and gentlemen, it is one thing for a company in this line of business, or any line of business for that matter, to make a decision to proceed with a business activity on the basis of a known and accepted set of rules. That is a business decision for the company to make and for which the company must take responsibility if that decision is incorrect. It is quite another matter, however, for an activity which is lawful at the time it is carried out, and for which activity the company relied implicitly upon the then-existing legislation, to be made unlawful by a stroke of a pen in a retroactive clause in a piece of legislation. That, ladies and gentlemen, is not acceptable. One cannot govern one's activities and stay in business unless one has the security of feeling that the rules of the game are certain and predictable in advance. Retroactive changes can produce disastrous results, as are illustrated by the real example that I have presented to you today. Unless the business community, including the housing community, can feel confident in this regard, there will be no future place for business in the province of Ontario.

If Bill 4 is enacted, then so be it, but let that legislation be prospective in its approach rather than retroactive, and we will then be able to make our business decisions accordingly. It is the retroactive aspect of Bill 4, as presently constituted, that is particularly abhorrent and repugnant to us, and we urge you to reconsider this aspect among all others set out in the bill.

The Chair: Thank you. We will start off with Mr Tilson.

Mr Tilson: Obviously, the retroactive issue is one of the major concerns of many of the applicants who are appearing before us, and as you know, the way the system works, the government has the majority and it can do what it likes. They can pass this bill, they can amend it, they can do anything, and hopefully they will listen to you. Others like you have made similar submissions of the disastrous financial results that will follow from the retroactive legislation. If they do not listen to you, if they do not listen to you and others like you and they pass the retroactive legislation, I understand, obviously you are saying, your firm will lose millions of dollars. Is that what you are saying?

Mrs Favero: Yes.

Mr Tilson: If that result follows, what will your firm do?

Mrs Favero: It is very difficult to say at this point. We would have to look at the position, as the prior gentleman said. If you are a reputable company you do not just walk away from things and you try to resolve the situation as best you can. But I do not know if we can.

Mr Tilson: Are you going to walk away from millions of dollars?

Mrs Favero: We cannot, because as I say, being reputable companies, you do not just walk away. You have responsibilities to people, you have a responsibility to your bankers and everything else, so you would not walk away. But we really do not know at this point what we would do.

Mr Tilson: Who will sustain the loss?

Mrs Favero: Obviously Kaneff Properties.

Mr Tilson: That is my point. I am getting to the other suggestion of the reliance that you and firms like you have placed on the government from the previous legislation, and the rules are changed. I guess my question is, how far are you prepared to go if they do not listen to you?

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Mrs Favero: That is a substantial amount of money that we are going to lose, and we would have to look at what recourses we have, because of the fact that we were very cautious landlords. We went to the rent review and asked for a conditional order so we would know in advance how it was going to be treated. We did not jump in with both feet and say, "Oh, well, we will do it and then see later what happens."

We went very cautiously and proceeded with conditional orders, and on the conditional order all it says is if you do so, you will be given such and such. It is a very straightforward situation, and now with a retroactive situation, because we happen to be in a position where we have to give 90 days' notice to tenants. Had we not had to give

90 days' notice of the increase to tenants, we would have been fine. But because of that 90-day notice, we were caught.

Mr Tilson: What did the government ministry officials or the Ministry of Housing say when you put this to them in the past?

Mrs Favero: They are waiting for decisions. As a matter of fact, I had one of those letters that the gentleman prior was mentioning. We applied for the four latest buildings, and on two of them we received a notice saying, "Because you know that Bill 4 is in the throes of being passed we are not going to process it, we are just going to put it in abeyance." As a matter of fact, we had two buildings with dates of 1 October that were literally ready to be pushed out the door and they were stopped.

Ms Harrington: Thank you very much for coming on behalf of your company. I had a chance to speak with you in the hall and learn about that coincidence of dates again and how unfortunate that is. I do understand you made a very clear presentation, including the whole history of your building and your company.

I was looking back through a presentation we had this morning about why the necessity of the moratorium. I really do not think I can take the time to explain the whole justification for it at this time, but maybe I could let you read this. I felt this particular person put it extremely well. It is very difficult—I must tell you that—for us in the ministry and for the government, but I will try to give you a little flavour of it. I know it is difficult for everyone.

"Any government which contemplates a major restructuring of its regulation of private sector activities must protect the interests of vulnerable parties who rely on the existing system. Otherwise, those who can will engage in profit-taking at the expense of the vulnerable. It is for this reason that the proposed moratorium is absolutely necessary. Tenants are vulnerable."

It goes on to describe that "The stated position of the NDP with regard to the current rent review system was that it would implement a system of rent controls." With that knowledge, with that prospect, many landlords undoubtedly decided that they could reap whatever benefits the existing system would give them. Knowing that it would take some time to draft new legislation, this certainly would be "a window of opportunity for these landlords."

Now we are not saying that all landlords are alike; we know from experience they are not. This is what he says would happen:

"To prevent a flood of applications to rent review, to preserve the affordability...of tenancies and to prevent a rash of unnecessary capital expenditures, the government had only one option after the election, that is, to announce its future intentions and to retroactively freeze applications for increases relating to capital expenditures and new financing. Not to do so would have been fatal to the housing policy it espoused."

Now I am not saying that is—I felt that had very powerful—it is not exactly what our government said, but

I just wanted to show you there were two sides to the question.

Mrs Favero: With all due respect, though, in our situation it is not that we are seizing an opportunity because the government is in power and now that has changed. These policies that we had undertaken were going on since 1988-89. So it was a planned program—

Ms Harrington: Yes, I understand.

Mrs Favero: —and it was complete. As a matter of fact, all the applications were in before the throne speech. Therefore, we had no knowledge of what the government was going to do as far as rent review was concerned.

Ms Harrington: All I am saying is that if we were saying within the next year or within the next two years we are going to change the whole system of rent control, what this submission is saying is that, in that interim when there was no pressing down or this breathing space, other landlords, who may not be as meticulous and as planning-ahead as you, would then take advantage of this whole system. There are very many vulnerable people involved. I just—

Mrs Favero: But then that could probably be curbed, a deadline. As I said before, we have to give 90 days' notice to the tenant. Had we been given 90 days' notice, this company would have been fine. Because of all the conditional orders we were delayed. We wanted to get the conditional orders prior to continuing. Had we just jumped in with both feet, we would have been fine. So it seems doubly unjust in our situation.

Ms Harrington: Yes, I understand.

Ms Poole: I know Ms Harrington was just trying to be sympathetic when she called your situation unfortunate, but I am afraid I would consider that to be a euphemism. I think it would be more bordering on disastrous, particularly when you went the conditional order route, which everybody acknowledges is a very conservative way to go to rent review, that you have your order in hand before commencing the work.

Have you considered a legal challenge because of your circumstances?

Mrs Favero: We are basically wanting to see what Bill 4—it is hard to fight phantoms, so to speak. Once we know what the legislation is, then we will have to review it at that time and see what avenues are open to us.

Ms Poole: Have you had any correspondence with the Minister of Housing about the situation regarding conditional orders?

Mrs Favero: No. We have written to the minister and we have not heard back. We have tried to reach his office as well.

Ms Poole: I certainly think the conditional order matter is something that we, as committee members, will have to take a serious look at. Obviously the retroactivity bothers a number of members a great deal, but particularly where you actually have an order in hand that was delivered prior to this government coming into power in fact—

Mrs Favero: Way in advance.

Ms Poole: I was going to say over a year before.

Mrs Favero: Even before the election was called, let's put it that way.

Ms Poole: Yes. I think given the election, if some of us had to do things differently, a lot of us would have made changes. Anyway, thank you very much for coming and apprising us of the concerns you have.

The Chair: You have a minute and a half, if you wish to use it, Mrs O'Neill.

Mrs Y. O'Neill: I just wanted a little bit more clarification about the letters of application that you have made and that you say you have. Could you say just a little bit more about that? It is a subject I am very interested in.

Mrs Favero: The final application to the ministry?

Mrs Y. O'Neill: Yes.

Mrs Favero: Basically we went the conditional route, conditional order. Once we had the conditional orders, then we went ahead and did the work. At the completion of that work we went back for a whole building review, saying, "Here are our bills, we've done the work, therefore—" Then we get an order. The only one that made it was the one without the underground, because the other buildings had large undergrounds and it took longer to do.

Mrs Y. O'Neill: Yes, but I am talking about the hold situation.

Mrs Favero: The letter with the hold situation?

Mrs Y. O'Neill: Yes.

Mrs Favero: Normally when we put a whole building review application in, we get a form saying the tenants have up to such-and-such to put a presentation and you have such-and-such to reply. Instead of that letter, it was in the same format, but the words were totally different and it simply said, "Because, as you are aware, Bill 4 is being debated, we will not be able to process the application and we will let you know later on what happens." This is a letter addressed to the tenants, carbon copy Kaneff Properties Ltd.

Mrs Y. O'Neill: I am just about on the verge of asking an exhibit of one of these letters.

The Chair: One short question and one short answer.

Mrs Y. O'Neill: I am just putting a warning out that if these letters are floating out there, we need to see them, at least one of them.

Ms Poole: Could you provide us with a copy of the letter?

Mrs Favero: It is a form letter that goes out from the ministry.

The Chair: Thank you, Mrs Favero, for coming and appearing before us today.

Mrs Favero: Thank you for your time.

The Chair: The work of the committee is completed for today. We will resume hearings tomorrow morning in this room at 10 am.

The committee adjourned at 1851.

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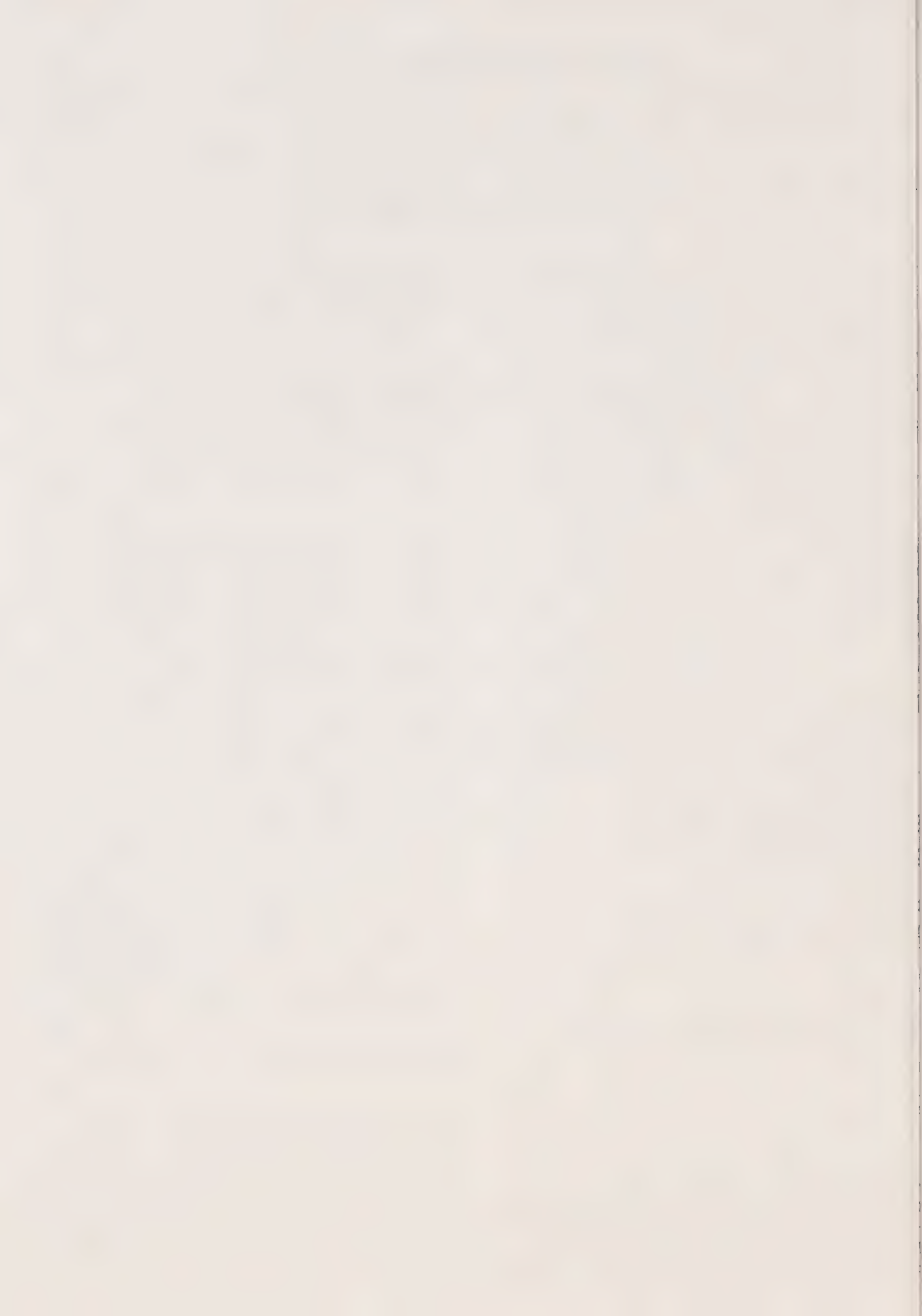
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Standing committee on general government

Residential Rent Regulation
Amendment Act, 1990

Chair: Remo Mancini
Clerk: Deborah Deller

Assemblée législative de l'Ontario

Première session, 35^e législature

Journal des débats (Hansard)

Le jeudi 17 janvier 1991

Comité permanent des affaires gouvernementales

Loi de 1990 modifiant la
réglementation des loyers
d'habitation

Président : Remo Mancini
Greffier : Deborah Deller

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 17 January 1991

The committee met at 1005 in room 151.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Chair: I call the standing committee on general government to order. The committee is continuing with public hearings on Bill 4.

UNITED TENANTS OF ONTARIO

The Chair: The first presenters will be the United Tenants of Ontario. I would ask the presenters to take a seat at the front. The presenters have been allocated 40 minutes, 20 of which will be an oral presentation and then we will have 20 minutes for questions.

I would ask the presenters to identify themselves for the record, whom they represent and what positions they hold, if any, within that organization. I believe Pat Fletcher is the spokesperson.

Ms Fletcher: Good morning, Mr Chairman and members of the committee. My name is Pat Fletcher and I am on the council of United Tenants of Ontario. It is a 21-member provincial council. With me is Danda Massaquoi and he is also a council member.

United Tenants of Ontario is a province-wide umbrella organization which represents the interests of people living in non-ownership housing across Ontario. Our 21-member provincial council has representation from public housing, private rental, co-operative non-profit housing, student housing, rooming houses, homeless people and squatters.

UTOO is developing a diverse membership base of individuals and organizations of which decent and affordable housing is the primary objective. Our membership includes private rental tenant federations in Ontario: Windsor-Essex, Kitchener-Waterloo, Metropolitan Toronto and Ottawa-Carleton. The issues concerning private rental tenants are of significant importance to UTOO. The debate that Bill 4 has fuelled addresses concerns that UTOO discusses on a daily basis.

When UTOO was formed in June 1989 at a provincial housing conference in Hamilton, the 300 delegates voted unanimously on a motion that directed UTOO to implement a tenant inquiry into the cost of housing. The issue of the cost of housing was recognized as being the key issue for tenants across the province. For all private rental tenants in Ontario, government rent regulation policy directly relates to the cost and affordability of their housing. Numerous studies, including Judge Thomson's Transitions report on social assistance reform, have shown that high rents are a direct cause of hunger, poverty and homelessness in our province.

There is a serious concern among our members that the heated media attention to the debate on Bill 4 has further reinforced and distorted the opinion that housing is simply a commodity. Housing is a basic human right. When we lose sight of that premise and fixate solely on the economics of maintenance and repair issues and the cost of financing new mortgages, it becomes very clear that the current rent review system does not ensure that people's basic housing rights are met. This government made a commitment to the people of Ontario through a promise of rent control and a significant increase in the construction of new affordable housing to ensure that all of us have access to decent and affordable housing.

Mr Massaquoi: The past: When the existing rent review system was introduced in 1986, it was designed taking into account an aging housing stock and need for minimum maintenance standards. The legislation had one major flaw: the cost of all repairs to a building, be it maintenance, repair or luxury renovation, was borne by the tenants alone. The current rent review system is simply a cost pass-through system. There is something fundamentally wrong with a system that does not take into account the real revenue generated by a rental property. Long-time landlords have been collecting decent rents with generous annual guideline increases for many years. The accumulated value of their investments is never considered in the current system.

Many landlords have also developed a very disturbing habit under the current system of not carrying out any preventive maintenance on their buildings, or any maintenance at all. They have discovered a loophole in the legislation which allows them to bunch together what should be routine maintenance into a huge lump of capital expenditures and in turn pass these costs on to their tenants. Often these pass-through costs result in unconscionable rent increases that lead to the economic eviction of tenants and the loss of affordable housing.

There are two components of the original legislation that we saw as critical in the proper administration of rent review: the provincial standards board and the rent registry. Neither of these cornerstones of the legislation has been adequately implemented. In fact, there are still hundreds of thousands of units in buildings with six or fewer apartments that have never been included in the rent registry. The tenants in these units, many of which are in smaller communities around the province, have been the innocent victims of a dismally managed system and have faced huge, illegal rent increases from unscrupulous landlords. The landlords who own unregistered units often raise rents illegally by not going through the rent review system. The delay in verifying the rents that have been registered has also resulted in a number of tenants being

denied proper process in the establishment of their legal rents.

The standards board was initially created to develop and enforce minimum maintenance standards. We have seen over the years that any recommendations of the board have been shelved and the ability of the board to effectively enforce minimum maintenance standards has been feeble at best. Tenant access to the standards board has been limited by lack of information and the incredible long time it takes for a decision to be reached.

This legislation is not working. It is not ensuring the minimum maintenance of the private rental stock. It is not protecting tenants from economic eviction. It is not ensuring accountability by landlords in the reasonable management of their buildings. Rent review has virtually destroyed any positive and co-operative relationships between landlords and tenants across Ontario.

Ms Fletcher: The present: Bill 4 is the first step in recognizing that the current situation in Ontario for renters is desperate. The cost pass-through system has failed to keep rents affordable and at the same time has failed to ensure that the housing stock has been well maintained. The tripling of rent review applications from 12,000 to 36,000 affected units in the months since the NDP was elected reflects the blatant abuses of the system. Tenants currently will still suffer from high rent increases under the old rules with a first effective date of increase on the building which is before 1 October 1990. Bill 4 provides the landlord with above-the-guideline increases for any escalation in municipal taxes, water, cable, insurance and interest rates on refinancing of existing mortgages.

The obligation to maintain a building is not dependent on the rent review legislation. It is an obligation that was specified under the Landlord and Tenant Act that indeed dates back to English common law. Landlords did not wake up on 28 November and realize that they had an obligation to maintain their buildings. They were aware of that obligation when they bought the building.

This legislation will not address all the problems created by the current rent review system. There are tenants out there who still do not know what rent on their apartment should have been two years ago, let alone be able to do reasonable financial planning with regard to the rent they will be paying this year and next.

United Tenants of Ontario are pleased to see that the interim legislation does address the need to protect land lease and mobile home tenants.

Mr Massaquoi: The future: United Tenants of Ontario is committed to actively participating in the development and implementation of a real rent control system.

It is obvious to all of us involved in this issue that the question of the maintenance and repair of our aging housing stock and how this maintenance and repair work will be paid for is of primary concern. We strongly support the development of a capital reserve fund in which a portion of every tenant's monthly rent payment is earmarked for maintenance and repairs. We also look to a time, in the very near future, when a democratic system of consultation between tenants' associations, their landlords and a fully

empowered provincial standards board on issues concerning tenants' homes is legislated into an equitable rent control system.

United Tenants of Ontario urge all members of this standing committee not to delay the passing of Bill 4. We must get on with the design and implementation of a new permanent system of rent control. The fact that there are 150 people on the waiting list to be heard by this committee further substantiates the urgency of the situation.

The Chair: You have a few more moments if you wish to make some further comments before I turn the questioning over to the committee.

Ms Fletcher: I think at this point, with the interim legislation, we could go through certain things that we felt were problems with it, but I do not think it is necessary at this time. We really feel this is the interim stage. It is not permanent legislation and the urgency is to get on to the permanent. I have nothing else to say.

The Chair: Okay, then I will increase the time for the committee members by a moment or two: the PCs first this morning, the NDP and then Liberals.

Mr Tilson: You have made some excellent comments some of which I agree with and some of which I disagree with. I would like to ask you a couple of questions or some of the things you have raised, dealing first of all with your observation, and this has been raised by other tenants' groups, that is, the suggestion of a capital reserve fund.

This is a question to either of you. Presumably you are thinking along the lines of condominiums where they have just that type of fund, where in a new condominium where the condominium is created, people purchasing various units put money into a fund at the outset and that fund is spent in due course on whatever renovations, capital expenditures or whatever is deemed fit by the members of the units and, as that fund is depleted, the unit owners then add to it. Is that the type of capital reserve fund that you are suggesting?

Ms Fletcher: It is. I was looking more to the model of the co-operatives rather than the condominiums. I know a little bit more about that. I could explain that model. Basically, the members of the co-operative have input in it throughout the years of the co-op and it is a long-range plan. If it is the renovation of an old building so it is an older co-operative, a rehab or a brand-new building, there has to be intensive long-range planning to pay for capital expenditures and those rent increases would have to be negotiated in a co-operative with the whole process and it would be spread over many years, rather than the way the rent review system is, which is an instant system where you have a huge rent increase.

Mr Tilson: Just so I understand you, each year moneys would be put into this reserve fund by the tenants.

Ms Fletcher: Out of their monthly rent.

1020

Mr Tilson: Would that be added on to the individual increases they are given each year? How do you determine what that contribution is to the fund?

Ms Fletcher: I think this again has to be a long-range plan with the planners. It is not something where you come up with an instant figure. It would have to be budgeted over many years.

Mr Tilson: But nothing standard for each individual apartment, for example?

Ms Fletcher: No, there would be one rent increase for everyone and that would be set out so that tenants would know a year in advance what it would be.

Mr Tilson: I am trying to determine how this fund is created, because obviously we have all kinds of different rental units. We have basement apartments, we have two-storey buildings, we have 50-storey buildings. I am just trying to determine whether you have thought out that process as to how the fund is initiated.

Ms Fletcher: I am not an expert on how that would be done, but I think there are a lot of people out there with whom you could consult who would give you that information. But, as I say, co-operatives have done it for a long period of time and have done it very successfully, so I would suggest looking at those models.

Mr Tilson: The second question I have is on your observation, and I happen to agree with you, about the social right of people to have a decent home to live in and a decent, good, clean, safe home to live in; in other words, a home that is continually maintained. Obviously there are landlords across this province who have taken advantage of the situation, as you have raised. There is no question. There are a lot of good landlords, we are hearing, who have tried hard to maintain their buildings, and there are some bad landlords.

I suppose that is so in all walks of life, whatever we are talking about. There are good people and there are bad people and what we are trying to do is to stop the bad people from doing these things that they have been doing. I guess I am asking philosophically what role the government should play in all of this. Should government own all housing?

Mr Massaquoi: I do not think we are asking the government to own all housing units in the province. However, the government has a major role to play. There are people who cannot afford to buy their own homes, including myself, but I would like to live in a decent home that I can afford. However, if I am spending 25% to 35% of my income on my rent alone, what is left for me to live on? That is where we are asking the government to intervene and to intervene positively.

Mr Tilson: I appreciate that and I understand what you are saying. That makes sense. Therefore, how should a government or how should you or how should I encourage landlords to build more apartment buildings, to build more units, to maintain those units? We are talking about slums being created, we are talking about where work is not done and it should be done. How do we encourage landlords to get into capital expenditures, to maintain the buildings the way we should and to create more housing, which hopefully would reduce those rents? How do we do that?

Ms Fletcher: I do not think any system of rent review or rent control has ever encouraged them to do that. We heard years and years ago, "Give us the cost pass-through and there will be cranes in the sky." We realize that did not happen. I think there has to be a different process of housing being built. We look at the non-profits that do it very successfully. There have to be other models to get housing built.

I think we do need a new housing program. There is no doubt about that, a Homes Next. But that is only one measure. I think what we have to do is find some way of building housing other than the luxury condominiums which they have chosen to build because there was a much higher gain in the market. Again, it is using housing as a commodity, not as a right.

Mr Massaquoi: To support what Pat has just said, there is also a program of projects going around, a housing intensification program that many tenants across Metro and across the province are talking about. Those areas have to be explored to see what can be done by government, by developers and by tenants themselves.

Mr Tilson: I guess I get back to the question, which is that I am still looking for your comment as to how we encourage landlords. If we create restrictions and bureaucracy, which we would be doing, how do we encourage landlords to get into the business of building apartments? How do we encourage them to do that? Why would they do that if it is not going to be economically profitable for them to do that?

Ms Fletcher: We have been joined by Ted Starr, whom I should introduce. Ted is also a council member and I think he wants to make a comment as well.

Mr Starr: I apologize for being late. The weather was worse than I thought and, as we were coming down, there was a traffic accident so we had to stop and help. Everything just piled up.

I do not know whether I can answer your question directly, but it occurred to me last night, and what I am really worried about is, that the way the rent review system seems to be working now it is almost as though it is being supposedly run on, shall we say, a profit-capitalist model, yet at the same time we are guaranteeing them the recovery of the expenses. It just occurred to me that I do not know how we encourage building more buildings right now, but I think we have to really watch that we do not get into effectively a residential savings and loans fiasco where the costs for the landlords are guaranteed and the tenants say, "Well, the government will come in and protect you," but it does not.

I am from Mr Drainville's riding and I had an experience where, about a month ago, we formed a new tenants' association in a building and we went down to the Peterborough rent review office. In Victoria-Haliburton there is a legal aid office, but there is no clinic. I used to practise law and at that time there were very few people who got involved in welfare or landlord and tenant matters. When we got down to the rent review office, because we went down as a tenants' association, they did not seem

to know what to do with us. We quite literally sat there for half an hour.

I have had experience in the Ministry of Labour where the enforcers become identified with the enforces. What I am really concerned with is the present rent review system. When you do not have things like legal aid clinics to make it work, I am really concerned that what happens is the rent review officers and so on identify solely with the landlords. In this particular case, notices had not been sent, improper notices had been sent and the officer just said: "Oh, we don't have to worry about that. It will all be all right."

Mr Drainville: I would like to make a comment about the broader issue that was raised by those giving the depositions and carried on by Mr Tilson, and that is the issue of rights and shelter being a right. I want to raise this because it has been brought forward quite often, particularly by tenants' groups, about this right. The reality is that there is no right, and that is the problem, that there is no right. If you look at the Charter of Rights and Freedoms, it is very clear there is no right to shelter, there is no right to a job, there is no right to food in this country. There are lots of other rights, but the reality is that at this point in time, even with the definitions that have been given presently under the charter in cases that have been held across Canada, there has been no definition that indicated there is a right to those basic essentials. That is a problem and that is why we have the kinds of questions and confrontations that we have across Canada on this issue of housing.

Because it is not a right and because we have to depend upon market value and the goodwill of people to work for the betterment, the common good of the whole of our society, we end up in this situation. Up to this point in time, people who have been self-interested in this issue have not been willing to offer to people proper accommodation, and many have come before us to indicate how they have been in situations of housing that are totally unacceptable.

I just want to conclude that comment by saying we need to make these things a right. They need to be enshrined in our Constitution. More to that point, it is my hope that in terms of our deliberations as a committee and in terms of the government, when the government is dealing with this issue, we will begin the long road towards seeing shelter as an essential right for all people.

Ms Harrington: Thank you for your brief. I appreciate that it is only two pages. That is great.

I have a question. At the bottom of page 3 you said there should be a capital reserve fund. Mr Tilson picked up on this as well. In your brief it says this should be earmarked for maintenance and repairs. I would like you to expound on that, because from my point of view, I believe maintenance should be part of the rent. It should not be a special reserve fund. Maintenance should be ongoing and it should be part of your monthly rent. Would you agree with that?

1030

Ms Fletcher: Yes. Definitely, I do agree with that. I think what we were getting at on this point was the fact that if it was an older building and there had been a long time period that it had not been well-maintained, it could end up being a much larger expenditure than the daily maintenance.

So it would depend on the state of the building exactly what that assessment would be, but we definitely do believe that ongoing maintenance has always been the responsibility of the landlord to do out of the monthly rent, that there has always been enough money involved in that monthly rent to properly budget and plan to do regular maintenance.

Ms Harrington: So this proposal for a capital reserve fund, however that could be organized—I am not sure about how it would be set up—you are saying it would then be for major repairs.

Ms Fletcher: Yes. That would be the differentiation.

Ms Harrington: That is clear. In the first two pages of your brief, you really have a very condemning expounding of what the previous legislation has done and you have put it very clearly. Also, what we have heard over the last two days, that the current system has, you said, allowed or even fostered the not carrying out of preventive maintenance on the building because of a loophole, so this 1% that we had talked about before is causing people to not do their maintenance and then put everything together and do it as a package and pass that package through as a capital expenditure. You have said that very clearly. You have also said that the standards board and the rent registry are not functioning, and I think most people would agree with that. It is not working the way it was envisaged.

At the bottom of page 2 you have said: "It is not ensuring accountability by landlords in the responsible management of their buildings. Rent review has virtually destroyed any positive and co-operative relationships between landlords and tenants across Ontario." That is probably the very worst aspect of this legislation, if that is true, and from what you are saying you have given evidence that that is what has been happening. From our point of view, we have to get landlords and tenants together, because that is the only way legislation can work.

Have you any positive suggestions as to how we can overcome this very horrific situation? Landlords are taking advantage of the system and tenants are being—and it is getting worse and worse; they are diverging from each other instead of coming together. Have you any suggestions that we could use?

Ms Fletcher: Right off the top, I would have to say that for ongoing dialogue between tenants and their landlord, we have found that the best model for that is in the tenant association. Rather than this system that has been created whereby it was convenient for the rent review administrators to have a body to deal with, therefore create a tenant association, it is not the right way to form good relationships between the tenant association and the landlord. If the tenants could have input in saying, "We don't want new washers and dryers. They work perfectly

fine. We need something like the roof repaired" or whatever it could be, and I am using that as an example, not necessarily the best of examples, but I think what we are saying is that it is the tenants' property. It is their home; it is not to them a huge investment, it is not equity to them. They gain nothing out of it as far as long-range equity. What they have is, their home is their castle, and that needs to be recognized by the landlord as something other than something to make money out of.

I think if we could get back to the stage where there is that open dialogue between the two and looking at this as a long-range plan, "How do we develop this?" I know with the tenant associations we have all worked with, the best tenant association is the one that has the social club where they meet for teas or whatever. It means that the landlord allows them to have a room set up where they can have their social events, that there is an open dialogue between the two instead of having this open, horrendous debate over this cost pass-through system. It just does not work.

Ms Harrington: Are you saying that tenants' associations foster dialogue with the landlords?

Ms Fletcher: Yes.

Ms Poole: Thank you for your presentation today. This legislation has found me in a very awkward position personally. I have always taken a very balanced approach to life and I have always felt that whatever we did, it should be fair. That is why I sometimes had battles with my own government over the last number of years with regard to tenants' rights. I said that the system, while it works well in many cases, is not perfect and we should work to improve it. I now find myself in a position where I think the legislation has gone to the other extreme. Yes, it does on the surface at least provide protection for tenants in an interim period, but I think in the long term it will have a definite penalty that tenants will pay, and that is the deterioration of their buildings.

You have mentioned the fact that routine maintenance has not been done in a number of cases and that the landlord will bunch all the capital expenditures together, many of which have been caused by the lack of routine maintenance, go to rent review and get a large increase. I agree. There have been a number of cases where this is definitely a problem and we should deal with it. But I am going to make a proposal to you and I want you to comment on why this proposal as interim legislation could not work.

First, there is a provision right now in rent review of deliberate, ongoing neglect being a defence tenants can use, but one of the problems with it is that tenants cannot use it if the building has changed ownership. My first proposal is that deliberate, ongoing neglect can be used as a defence by tenants even if the building has changed ownership, because obviously the landlord would have gotten a better deal on that building because it was not in a good state of repair.

My second proposal—and this is a package deal; I cannot say I like one but none of the others; or you can say you do not like it, but I am offering it as a package—is that in order for landlords to even receive the 4.6% or 5.4%

statutory guideline amount, even for that, they could not get it unless they produce a municipal certificate from the building inspections department stating that the building is in a good state of day-to-day repair. We also might have to relook at the standards that are currently in existence and see if they are stringent enough.

The third part is that there would be a cap on the total amount of rent increases that a landlord would be allowed to seek under any circumstances. Again, these are all proposals for interim legislation, some of which might be incorporated in the long term.

The fourth is that only necessary repairs be allowed, and that this together, as interim legislation, could provide a balance where we still get some money put into our buildings and they do not continue the pattern of deterioration but, at the same time, provide that interim protection for tenants until we can look at a long-term system.

Would you give me your comments on that package?

Ms Fletcher: We can split some of this up. Hopefully, we can each add to this if there is enough time.

Right off the top, I would like to say that I think some of these concerns should be looked at for the long-term legislation. I would hate to think that anything at this stage would stall the whole procedure. It is desperate for tenants out there. We are talking about tenants being economically evicted if we stall the process any longer, and I am talking about the tenants who are caught in not knowing what next year's rent is, not knowing "two years from now" from "two years previously," according to the previous legislation. It is a desperate situation we cannot stall.

I will comment on the one on necessary repairs and I will leave something for the other two here. The previous government tried to do obviously what it felt was necessary to look at the regulations of the rent review legislation to decide that the unnecessary and luxury renovations were a problem. Obviously it recognized that was something that was a flaw, yet the regulations certainly did not resolve that. I think we would have to be very, very careful about how that would be determined, because it is very hard to differentiate between what is unnecessary and what is necessary. Whether it can be done or not, it could not be done by the previous government. That is not to say that this government could not differentiate between the two.

1040

Ms Poole: Just before the others comment, if they wish to, I would like to point out that the reason we could not give a definitive definition of "necessary repairs" and include it in the previous legislation was because that would need an entirely new piece of legislation, an amendment to the act. The route the government chose was to go by way of regulation, because it could be brought in much more quickly. We would have the scope on this committee to provide quite definitive amendments for necessary repairs, which we could not have done under regulation.

So the fact that there was an attempt to correct the problem last year which you feel did not go far enough could be corrected today—not today, but in this process—without stalling anything. When we make our clause-by-clause analysis at the end of these hearings, we could make

all these amendments at that time without delaying Bill 4 for one extra day, if we felt this was a fair way to go about it.

Ms Fletcher: My only comment back to you on that is that the rent control issue is only one of many concerns that tenants have. There need to be many amendments to other pieces of legislation. The Landlord and Tenant Act and the Rental Housing Protection Act, whatever they may be, in that for the long term, yes, we need to look at it very much in depth. We would be very willing to make as many comments as we could, but at this point we would like to move ahead.

The Chair: Time has expired for this. Mrs O'Neill.

Mrs Y. O'Neill: I want to speak on something other than the deputation, so I would like to do it between deputations.

The Chair: Certainly. We want to thank the United Tenants of Ontario for coming before the standing committee on general government and making a presentation. It was well received.

Before we call the Tenant Advocacy Group, Mrs O'Neill would like the floor.

Mrs Y. O'Neill: Mr Chairman, I have two serious concerns this morning and I think they affect the whole committee. We have the news clippings from yesterday. I feel the report in the Globe and Mail is inaccurate—and I am very sorry because I understand and I do feel it is a very responsible newspaper most of the time. The bill and what it means is not quoted correctly here. I do not know whether the reporter is present this morning, but the figure that was presented, that 83% of the 1.2 million are over the guidelines, is quoted as a fact when indeed this committee stated that this was the exact reverse and the correction was made.

The other is that the landlords cannot get money back from renovations done between then, which is 1 October, and 28 November, which as we know has absolutely no relevance to the truth. It disturbs me and I hope that this will be rectified because this paper is certainly one of the channels we depend upon to get our message out.

That being said, we got a report this morning from the Ministry of Housing and I appreciate the speed with which this is returned to you, Mr Chairman. I am very gravely disturbed by this response.

The Chair: Can you identify the document?

Mrs Y. O'Neill: The document we all received from Mr Glass to yourself.

The Chair: The one dated 16 January 1991, "Standing Committee on Residential Rent Regulation Amendment Act."

Mrs Y. O'Neill: That is correct. I appreciate the honesty and I appreciate the inclusion of the letters that have been referred to. But it states on page 2 that landlords are instructed that the law has not yet passed and that the applicant has the choice of filing an application with us or holding the application pending passage of Bill 4.

In the letter to the tenants, it states that the most current applications will not be processed. I have only been here

three years; many have been here longer, certainly yourself, Mr Chairman. I have worked on several bills, however, and Bill 147 is one that had all very sweeping application. It was the Independent Health Facilities Act. That bill had a major amendment indeed presented by the NDP members of the committee. It then affected six times as many people in this province as it was originally intended to do. That amendment came as we were going through clause-by-clause. I feel that this is an absolute abuse of democracy to have legislation which is only at second-reading stage not even examined by clause-by-clause. No possibility for amendment is being presumed or even considered at this point. I think this is an incorrect direction to public servants in this province. It is a very bad message to people in this province. There are 1,096 applications pending. I do not know how many employees are in the rent review legislation branch. What is the direction going to be to these employees when these applications are completed? This bill may not yet be back in the House.

So I would like you, Mr Chairman, and I am requesting it formally, to have a letter go to the minister—he is the only person who can answer this question, because the civil servants have done their job and they are telling me exactly what they have been instructed—to explain this letter, which states, "We are not going to process applications," to explain his reasoning and thinking on presuming that a bill is passed that has not been passed. I feel this is very serious.

Ms Poole: I would like to support the comments by Mrs O'Neill. I would ask for one further request of Mr Glass when he appears, if he could bring a copy of any communications to either landlords or tenants, whether it took place in a separate letter or on the bottom of any forms they have sent out, if he could bring any and all letters with him so that the committee could take a look at what exactly is going out from rent review.

The Chair: Ministry staff and committee staff are taking notes of the requests of the members, and the requests of the members will be duly forwarded.

Mr Turnbull: I would like to support what Mrs O'Neill and Ms Poole have just said. This is clearly an abuse of the government process and we should ensure that it is stopped immediately.

Mr Drainville: I would like to find out from Mrs O'Neill and perhaps from you, Mr Chair, just a little further. The request is therefore, Mrs O'Neill, for the minister to come before the committee again?

Mrs Y. O'Neill: He said he may do that. I am asking for him to respond to my concern in writing.

Mr Drainville: So it does not matter whether he appears in person, as long as the communication is sent.

Mrs Y. O'Neill: If he would rather come, certainly it would be very helpful.

Mr Drainville: I am just trying to clarify that.

Mrs Y. O'Neill: I understand ministers' schedule, however.

Mr Drainville: The second thing is in terms of the actual document here. Mr Glass is going to be coming before us, is he, at some point?

The Chair: I do not believe that he was scheduled, but I am sure that upon a request from the committee and with instructions from the committee that I make time for him to appear that can be accommodated.

Mrs Y. O'Neill: Mr Glass's report is excellent. I have no further questions of Mr Glass.

Mr Drainville: I do have more questions. I agree there are questions that are raised, questions that need to be gone into, but I would not say it is only a matter of the minister responding. We could get a fuller report by finding out from Mr Glass. To have just this report as it is does not necessarily give us as full a view as we might have.

The Chair: As long as there is consensus. If I feel there is some consensus to call Mr Glass, we certainly will, and if there is need to call other people or direct correspondence to the minister, if there is consensus for that we can do that also.

Mr Tilson: I certainly support Mr Drainville in his request and I hope he in turn would support me in a request for other members to attend this committee. That was moved on and rejected by the committee, but I think the more information we have, the better.

With respect to Mrs O'Neill's comments, I certainly support her, as does my colleague Mr Turnbull. This is not the only document that has come out with this slant. There is a document that was just drawn to my attention, published by the Ministry of Housing. I do not know when it actually came out. It was just recently drawn to my attention. It is called *What is Happening with Rent Review?* One of the comments just echoes what we have seen this morning. It is to assist tenants, I think, and hopefully landlords, although there is very little advice to landlords. It is mainly designed to assist the tenant. I do not know whether there is a similar document to assist the landlord. It states, "What if my rent is going up right now by more than those amounts?" and they refer to the 4.6% and the 5.4%. The answer is: "Just keep paying your rent. We'll sort it out when the changes become law. You may well end up having rent money refunded to you by your landlord."

1050

As Mrs O'Neill has stated, that is just outrageous, to even assume that the law is going to be passed.

The Chair: Is this the document you are referring to?

Mr Tilson: Yes.

The Chair: Can I ask members, when they refer to documents, that they give a date, if there is a date, and title? I ask that for the viewers' sake, because we do have people watching, there are Hansard records being taken, and we have organizations following our proceedings.

Mr Tilson: I am quite prepared to have the clerk copy this for everyone.

The Chair: It would be helpful if you could just read the title of the document.

Mr Tilson: I tried to do that, but there is no date on it or I would have referred to it.

My point is simply to echo Mrs O'Neill, that to assume that this is going to become law is simply outrageous. Hopefully, that is why we are having these hearings. Should the whole bill be withdrawn? Should there be amendments to the bill? Should there be no amendments to the bill? That is why we are having these hearings, to listen to the reaction of members of the public. To simply state that when the changes become law you may end up getting moneys paid back to you by the landlord—I think the Ministry of Housing is not only going to have to clarify what has been stated by Mr Glass but by these documents that presumably have been distributed to members of the public.

Ms Harrington: As we do have staff from the ministry here, I would like to invite them to answer the questions that have come up. Maybe we can at this point clarify it, a little at least.

The Chair: I think that is a good suggestion. As soon as the committee is finished its general discussion, we will do that immediately.

Ms Poole: On a point of order, Mr Chairman: I am very concerned that our committee continually in the last few days of hearings has kept witnesses waiting while we had procedural matters brought up. I have no problem with bringing up procedural matters, as Mrs O'Neill did, but I would suggest that if we are going to debate these matters, perhaps we wait until the last presenter has left and discuss it then. I do not think it is fair to the people who have to get back to their real work, their real jobs. It is putting them in an awkward position.

The Chair: I would agree with you under normal circumstances. Committee members may on occasion have felt they have been cut off by the Chair when they wanted to bring something up, because I have some similar feelings you have, but I have to say that I believe the information brought forth by the member this morning was, as far as I could determine, quite serious, and I did not think I could just allow it to be put forward without at least a few minutes of conversation and input by the members. I think we have obtained some good advice from the members based on those few minutes of discussion. I am very near the point of terminating discussion. There has been a request made by a member that I have already acceded to, that we maybe spend a moment or two questioning staff who are already here. I have already agreed to that. That was going to be the extent of it, as far as I was concerned. We will do that immediately.

Mrs Y. O'Neill: You have made the decision to invite staff to respond. I am saying this with all the heart and head I have: I do not think it is fair to ask staff the questions, because I worked in a ministry, as did you, and you know that directions come from the minister.

What I find so very offensive here is that everything we are doing, and we are spending long days, is being presumed that it will have absolutely no effect and there will be no amendments and that not one thing—no matter how many people come, emotionally and with facts and

data—nothing is going to change. That is what is disturbing me. Maybe ministry officials can help us a little bit.

The Chair: Order, please. I thought there was consensus early on to question staff for a moment or two. Am I wrong? Is there no consensus for that? Do we want to proceed with our hearings?

Mrs Y. O'Neill: (inaudible) but please do not let that affect anything.

Mr Drainville: Very briefly, I object to the last comment. Let me say that on our side we are very seriously looking at the deputations that are made, listening to all sides of the arguments. We have questions ourselves about different parts of the legislation. I want to say that my original comments were in a sense reinforcing concern to Mrs O'Neill. I am sorry that she does not perceive support sometimes for some of her suggestions, but it is there nevertheless. In terms of my request to have further clarification from a member of the ministry on this issue, I have questions about what has been raised and I would like to speak to the person who sent us the document.

The Chair: The Chair is going to call ministry staff forward for three minutes. Members can question for three minutes and then we will immediately proceed back to hearing the delegations that are here. A request has also been made—I want staff to take note of this, please—that the executive director of the rent review program, Robert K. Glass, be requested to make himself available to this committee for further questioning. The Chair will let staff know when time has been allocated for that. Questions?

Mr Tilson: Both documents that have been referred to, one with the memo that has been given to us from Mr Glass, I would like that one as well as specifically this document which appears to be published by the Ministry of Housing, called What is Happening with Rent Review? It lists a number of questions. It seems to be designed to assist the tenant as opposed to the landlord. Is that correct?

Ms Parrish: I am afraid you have the advantage over me, because I do not have the document in front of me. I would have to go back to our office and obtain all the documents to find out whether you have a document that is for tenants and there is another one for landlords. This is the kind of answer I am going to give you, which makes everyone dislike civil servants. I am from the policy branch and this is an operational issue. I can assure you that I will undertake to get all the documents I can, and I am sure that Mr Glass would be pleased to respond to some of these issues. I think the first thing we should do is go back and see where all the documents are and make sure you have them.

I would just say, though, from a policy consideration, that there are a number of issues around what to do with applications that may be in the system and what is the best way in terms of both landlords and tenants. There are, it seems to me, just from a theoretical viewpoint, a number of approaches. One approach is that you take every application and put it under the existing law. Therefore, you issue orders that say to tenants, "This is the increase you pay," and you say to landlords, "This is the increase you'll get," and then if the legislation is passed in this form or

another form, you send them another form saying: "Remember all that stuff we told you two months ago? It's all changed. Now it's something else." Another approach that could be taken was that you would say, "We're going to enforce Bill 4 the way it's written, so we'll issue all notices saying, 'This is it.'"

The third approach that could be taken, theoretically, is to say, "We'll do nothing pending what's going to happen."

I guess that is a very difficult choice, because none of those answers is really ideal. The first option could cause a lot of confusion and heartache for landlords and tenants who are unsophisticated, because then they will get very confused communication—

The Chair: We have one minute left.

Ms Parrish: —first of all do this, then do something else. If you told landlords and tenants to conduct themselves as if Bill 4 were passed, that would also be wrong. I am not saying this is the right option, it may just be Hobson's choice, but the only option left is to say, "We'll wait."

Mr Tilson: Excuse me. Before you use up all the time—

Ms Parrish: I am sorry. I did not intend to do that.

Mr Tilson: —I simply want to know, and you may not know the answer yourself but you can get back to us, who directed that document to be prepared, who it has been distributed to and when it was distributed, because it says quite clearly, "when this becomes law," which makes the whole purpose of this hearing useless. That is all I want to know from you.

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Ms Parrish: In this document here?

Mr Tilson: Yes.

Ms Parrish: I am sorry, the other material talked about how it was not law. All right.

The Chair: The time has expired for this particular section of our discussion this morning.

I have asked the clerk to review the comments made by Mrs O'Neill this morning. We will see whether there is any precedent for the concerns she has raised. I have received preliminary advice that a previous Speaker has ruled on a similar matter, about whether it was appropriate for such information to be provided in the manner in which it was before a piece of legislation has been passed. I have asked staff to obtain that precedent ruling for me. I will review it and will get back to the committee at the earliest possible opportunity. That is all I can do at present.

TENANT ADVOCACY GROUP

The Chair: The next delegation is the Tenant Advocacy Group. Thank you for waiting. We have allocated 40 minutes for your organization, 20 of which can be used for your presentation and a further 20 minutes to be used by the committee members in discussion with you. I ask you to please introduce yourself and your delegation and the offices you hold.

Ms Mahoney: My name is Elinor Mahoney. I am a community legal worker with Parkdale Community Legal

Services. I am here today as one of the co-presenters of the brief of the Tenant Advocacy Group.

Ms Wandal: My name is Deborah Wandal. I am a community legal worker at Scarborough Community Legal Services. I will also be presenting a portion of this brief.

Ms Mahoney: I will start off with a brief introduction. We may run slightly over the 20 minutes, but as we are going through the brief fairly analytically, I would like some indulgence from the Chair if we go over to about 25 minutes.

The Chair: I usually show tolerance of about a minute.

Ms Mahoney: Then show indulgence for five and we will all be happy.

The Chair: I need consensus from the committee to give up some of their question and answer time, to go over five minutes. Do we have consensus to do that? No problem? You will have 25 minutes for your presentation.

Ms Mahoney: If we get through sooner, all the better. We are here today representing the Tenant Advocacy Group, which is a coalition of case workers in landlord and tenant law. TAG is comprised of lawyers and community legal workers from 14 Metro area community clinics, with additional representation from the Committee for Equal Rights in Accommodation, the Federation of Metro Tenants' Associations and the private bar.

As advocates of tenants and tenant associations, we are all too familiar with the many inequities and weaknesses of the current rent review system. For the past four years, TAG members and our clients have experienced the administrative nightmare created by the Residential Rent Regulation Act: cases backlogged for years, a Byzantine and Kafka-esque bureaucracy, and orders rife with errors and omissions, necessitating appeals. Quite frankly, Bill 4's initial attraction to those of us beleaguered by the rent review system is that it will cut down on future rent review applications and give us all a break.

More important, though, Bill 4 must be enacted because it will help to correct some of the problems and inequities created by the previous government's legislation, problems we anticipated and warned the previous government about in our brief on Bill 51. Unfortunately, we were ignored and these problems were incorporated into the rent review legislation you seek to correct today.

Here are some case studies for your consideration:

On financial loss: Rent review based on the cost pass-through system is supposed to prevent unjustified rent increases above the guideline, yet it rewards landlords who buy and sell buildings by granting them an additional 5% per year to cover the cost of increased mortgage payments. This encourages the flipping of properties and escalating rents for tenants who receive no benefit in return.

The case of 1430 King Street West and 160 Jameson Avenue clearly illustrates this point. In 1986, the long-term owner of these Parkdale buildings sold both properties to a numbered company controlled by landlord A, who promptly applied to rent review. A few months later, landlord A flipped the buildings to landlord B for a greatly

inflated price. At the same time, landlord B sold a Scarborough property he had recently acquired to another numbered company controlled by landlord A. Landlord B also made a good profit on that sale. Then each landlord took over the other's rent review application, substituting his higher loss for the loss experienced by the original applicant. The profit each landlord made on the flip was ignored by rent review in its calculations. Consequently, the tenants are still paying off what we consider to be a totally artificial financial loss.

Ms Wandal: With respect to the issue of capital expenditures and ongoing deliberate neglect, we have the case at 2590 Argyle Road, where the roof leaked for several years. The tenants complained. The landlord did nothing. Eventually, the entire roof had to be replaced. The tenants argued that this work was necessary because the problems they had brought to the landlord's attention had been neglected for years. The landlord was granted a capital cost allowance for the roof and other repairs amounting to a 21% rent increase.

Ms Mahoney: Again, at 100 Gamble Avenue the landlord never bothered to rustproof his metal balcony railings by scraping and repainting them. After years of neglect, the railings, like a car which is never washed or treated, rusted away and had to be replaced entirely. Their cost was included in a 22% rent increase to the tenants. The old adage, "A stitch in time saves nine," is perfectly apt in this situation.

Ms Wandal: Tenants are often seriously inconvenienced when capital work is done, as evidenced by the following examples.

At one south Parkdale building, Regal Aluminum sent employees into a tenant's apartment to replace windows in the week before Christmas 1989. In spite of subzero temperatures and the tenant's protest that his child was sick with a cold, the workmen moved the tenant's Christmas tree, knocked out the existing windows and replaced them, leaving the tenant to clean up his mess.

Ms Mahoney: At 110 Jameson Avenue, the landlord had done little or no maintenance for 20 years. During this time, rents had increased annually, often beyond the guideline permitted by law. In 1987, the landlord began an extensive capital expenditure program. Tenants were unable to use their kitchens for days on end and had to clean up the mess created by the contractor hired to replace their windows. Invoices and contracts submitted by the landlord were found to misstate the cost and nature of the work done. Despite all of these circumstances, the landlord was awarded a large rent increase.

Ms Wandal: Examples of where capital work was done instead of using the operating cost allowance under the guideline increase: The guideline increase is intended to cover many types of maintenance. However, capital cost allowances are often granted for these same maintenance projects. For example, at Argyle Road, the landlord did not include painting in its regular maintenance program and then claimed painting as a capital cost after six years of neglect.

Ms Mahoney: Again, at 100 Gamble Avenue, the landlord did no painting, plastering or other basic maintenance in the years prior to going to rent review. As the landlord clearly did not apply the annually collected rent increase to the operation of the building, we have to ask, what did the landlord do with the increased revenue?

Ms Wandal: Unnecessary capital work: Tenants frequently experience rent increases arising from capital work which they never wanted. At 3370 Havenwood Drive, the tenants' rents increased by 30%. Air-conditioners were installed in every unit although many tenants already had their own. Other tenants did not want them, finding them noisy and an unnecessary expense. The 30% increase also was partly justified by the construction of a fence. This fence now encloses a former playground area. The gate is permanently locked. Perversely, the tenants are actually paying here for the loss of their playground facility.

With respect to non-arm's-length transactions, at 44 Walmer Road, the head office of the Window Installation Co was located at the same address as the corporate landlord. However, the arm's-length nature of the transaction was never challenged by the administrator and therefore neither were the installation costs, which substantially exceeded the market values for such transactions.

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Ms Mahoney: Such stories are all too common and they illustrate the need for the measures introduced by Bill 4. It is clear to us that tenants ought not to be billed extra for necessary repairs and renovations done in the normal course of maintaining the buildings. They already pay for this in their rent. It is also clear that tenants should not have to pay for unnecessary luxury renovations and that they should have some control over work done in their units and in their common areas.

The previous government's response to this concern is in clause 15(1)(d) of the act and I am going to read it out to you. It mandated the standards board to:

"Recommend to the minister methods of providing for recognition of the importance of dialogue between the landlord and the tenants occurring on a meaningful and timely basis regarding proposed capital expenditures in respect of a residential complex while at the same time acknowledging the rights and responsibilities of landlords to manage their buildings."

Now, it is hard to believe that someone was paid to write this garbage, but someone was. Certainly the clause has proven totally ineffectual in protecting the affordability of rents or privacy and autonomy of the tenants. Bill 4, by removing the financial incentives for doing capitals, achieves both objectives.

Now we would like to move on. If we have time, we will go back to the extraordinary operating costs on page 5. We would like to move on to address some of the concerns raised by landlords in the press and also here at these hearings.

The first concern we hear coming from landlords is that their buildings will deteriorate. Perhaps the most common objection is that buildings throughout Ontario will deteriorate to unacceptable conditions if landlords are

prevented from claiming a capital expenditure allowance at rent review. They tell us in many situations their buildings require repairs now. These repairs will be postponed, they say, because of lack of funds and it is the tenants who will suffer in the long run.

Now, tenants must be forgiven when they regard this claim as a malicious threat. Tenants have the statutory right to a competently managed and maintained home. For years they have paid an ever-increasing rent to safeguard this right, yet under the current rent review system, landlords who have neglected their buildings for years, then carried out major catch-up repair programs, have been able to charge increases even larger than the guideline increases. In essence, tenants have paid double for the maintenance their landlords are required by law to provide. Now that the government is moving to correct this inequity, some landlords are threatening to provide no preventive maintenance programs at all while still collecting their rents and annually increasing them.

Now, a maintenance strike would not only violate the contractual leases that landlords and tenants usually have, but also, and more important, the Landlord and Tenant Act that clearly establishes maintenance as every landlord's responsibility.

The Tenant Advocacy Group deplores these threats. Indeed, we are surprised that a lobbyist with a name like the Fair Rental Policy Organization would publicize and support such threats. Where is the fairness in a landlord's extracting rent from tenants for which he provides no service? Because the rent review system certainly contemplates that service will be given on a regular basis to the tenants, and the costs that they anticipate a landlord will spend money on are located in the building operating costs index, which I believe has been distributed as appendix A to our brief on a separate piece of paper.

Not only does the ministry assume that all of this maintenance work will be done, but it assumes that a landlord will allocate about 25% of the annual operating budget to cover the superintendent and maintenance costs. The ministry then incorporates projected increases in these costs into the next year's annual guideline. Thus, tenants also pay annual increases for maintenance, whether or not their landlord actually provides the maintenance that they are supposed to.

Some landlords may say that the annual guideline is not enough, it does not provide enough revenue to finance necessary repairs and that is why they are in the situation that they are complaining about today. To this argument, basically, we say, "Hogwash." For the past several years the guideline has been so generous most landlords have been able not only to maintain their buildings but also to increase their profit margins. We are going to explain just for a second how.

Each year the landlord can raise the rents by the guideline percentage or apply to rent review for more. On an annual basis, a prudent landlord assesses costs and anticipated cost increases before deciding which option to pursue. Generally there are two types of costs that a landlord will have: the operating costs of running the building and the financing or mortgage costs. In years

where the mortgage costs go up, the landlord will of course apply to rent review because the landlord is entitled to an extra allowance to cover the difference. But in most years only operating costs go up, because mortgage costs are fixed for a specific term.

According to the Ministry of Housing's figures, only about 50% of the total costs the landlord has as operating costs, yet the guideline that is chargeable this year at 5.4% is based on the entire revenue. In 1990 the guideline was 4.6%. So, if you are with me, a landlord whose operating costs increased less than double that—9.2%—would increase his profit margin by merely charging the guideline. But by ministry calculations, the average landlord's costs only went up 3.9%. Therefore, a guideline of 2% would have covered this cost increase, yet landlords were entitled by law to charge more than double that figure, the guideline of 4.6%. A similar story can be told for each of the last five years that the guideline under this act has been established.

Given this generous guideline, given full recognition of mortgage costs, given a capital expenditure allowance that is extremely generous, it is beyond belief that competent landlords can find themselves unable to fulfil their responsibilities under law. We are also unmoved by the plight of those who have recently acquired rental property which they are operating at a loss, and hence have no capital reserves to make the necessary improvements.

First, the prudent buyer would have researched the condition of the property and negotiated an appropriate purchase price; and second, we have to look at what the purpose of this bill and the role of the government are. It is not the responsibility of the government or the tenants to bail out investors or speculators who buy a property they cannot afford to run. Nobody asked them to buy the building; certainly not the tenants who, if this bill is not passed, would have their rents go up at more than twice the rate of inflation.

Land speculation is a risky business and accepting short-term losses for a long-term gain is part of the cost of doing this business. The alternative, making tenants continue to subsidize new landlords in deteriorating buildings after years of paying for the maintenance they never received, would be completely unacceptable as government policy.

Landlords who fulfil their responsibilities have nothing to fear from Bill 4. Speculators and others who took advantage and got caught by the bill, well, for them the years of freeloading are over. In a recent letter to a Tenant Advocacy Group member, one landlord made the following observation:

"I think there will always be landlords in the rental game and they will make money. Some of the high rollers might be shaken out, but that is a good thing for tenants and the remaining owners as it will give them a chance to improve their image.

"A few will take millions out of the system, then go bankrupt. It will be hard for Rae not to bail them out but they must be left to their own solutions. The taxpayers are long past the time when they will suffer in silence when their money is being spent for such bailouts."

The government must resist the temptation to bail out speculators and it must refuse to be intimidated by threats of landlords. Bill 4 merely rights the wrongs done to tenants by the previous government.

Ms Wandal: Landlords have also complained that not compensating landlords for capital work that has already been done is unfair. There are landlords who have completed various kinds of capital work in the past year, relying on the current legislation that guarantees a full recovery of all such costs. These landlords are now complaining that, having done the work, the rules have changed and they will be denied recovery of their costs. In their opinion, retroactive changing of the rules prejudices them unduly.

We have several responses to this. Any time new legislation is introduced, some people are caught with their expectations up and reluctantly have to lower them. For example, the tax regulations which an investor relies upon to calculate potential profits may very well be obsolete when the time comes to collect on the investment. The potential profitability of such investment is directly proportional to the risk involved. Tenants themselves have experienced some mercurial changes in government legislation and policy. For example, in 1985 tenants were assured that the annual guideline increase would be frozen at 4% for the next two years. However, by January 1987 the guideline had been hiked to 5.2% despite tenant expectations. This change cost tenants of Ontario \$85 million in 1987 alone.

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It is true that some landlords who expected their tenants would pick up the tab have now been left to pay the bill. Does this mean that the new legislation unfairly burdens landlords with costs from which they can expect no return? Of course not. Any responsible landlords recognize that maintaining and improving their buildings is a built-in cost of ownership, it is a wise protection of their investment.

Some landlords, anticipating the passage of this bill, have cancelled contracts. Other landlords are threatening that they will not commence or continue work if this bill is passed. These are idle threats. As mentioned earlier in this brief, landlords are obliged by law to do work necessary to maintain their property in accordance with housing and safety standards.

If this work is not done, their tenants can enforce their own statutory rights and obtain court orders requiring the landlord to do the work. Such orders may also grant tenants sizable reductions in their monthly rent payments as compensation for the substandard living conditions.

We would like to mention here as well the cosmetic work that has been done by some landlords which was not in fact essential to the upkeep of the property. It may well be that microwaves, marble lobbies and the wholesale reconstruction of kitchens would not have been undertaken had the landlords known that the costs would not be transferred to the tenants. It may also be that such alleged improvements will not be done in the future if this bill is passed. Our response to this is that the tenants never

wanted this wholesale remodelling of their units in the first place. If this bill discourages landlords from carrying out these disruptive, expensive and unwanted cosmetic renovations, it will be an improvement.

Although these landlords now cannot recover their costs directly from the tenants, the work which they did last year is not a useless expense. In the first place, as noted, landlords always benefit from the upgrading of their own housing stock, and second, the work in many instances had to be done.

It is not these few landlords who have been unduly prejudiced; it is the tenants who have been severely prejudiced by rent review legislation which for the past four years has made them liable for all the landlords' bills while the landlords reaped huge profits from these buildings.

It is looking through the wrong end of the telescope to say that these landlords are prejudiced by the retroactive provisions in the bill; it is the tenants who have been prejudiced for so long and who can finally hope to have this imbalance addressed by the new legislation.

The election on 6 September 1990 made it clear which end of the telescope provides the proper perspective on the present affordable housing crisis. The people exercised their political will and brought in a government which promised to redress the inequities of a system which provided windfall profits for landlords at the expense of many thousands of Ontario tenants.

Another landlord argument against this bill has been that their buildings will not be worth as much should this bill be passed. Landlords are complaining that this bill will be responsible for a reduction of their equity on the following grounds. The new legislation, apparently, will make their buildings less attractive to potential buyers as a new landlord will no longer be guaranteed that any financial loss will be covered through higher rents; in addition, purchasers of post-1975 buildings may not be entitled to raise rents to ensure a 10% profit margin; finally, capital costs will not be automatically passed through.

Our response to this argument is twofold. We acknowledge that landlords cannot, at this moment, profitably sell a building that they bought six months ago. Our first point is, why should they want to do so? Why should we encourage them to do so? A landlord who bought a building five years ago can still sell that property at quite a profit on today's market. We believe that housing should be a long-term investment and not a speculative endeavour, and we applaud the government's removal from the legislation of the financial incentive for landlords to flip buildings. It is long-term investors and their interests which should concern the government. Such investors will understand that long-term ownership involves weathering many fluctuations in the market before the profits on their investment are realized. They do not consider the present decrease in equity as a crisis requiring legislative protections.

Our second point is that the financial position of landlords must not be seen in a vacuum. It should be considered within the context of some very powerful forces affecting today's general economy and housing market.

We are presently in a recession, which has struck hard at all kinds of business ventures. The recession was finally

given its proper name almost simultaneously with this government coming into power. While there are ordinary people who are losing their jobs and suffering severely, we must put the landlord's position in perspective.

Given our present economic climate, it is naïve to argue that property values have decreased simply because of the introduction of new legislation. A landlord's equity may have gone down, but what does this mean in practical terms? It means this is not a good time for the landlord to sell a building. Do landlords have alternatives? Of course. They can keep their buildings and wait for an improvement in the economic climate. They are sitting on tremendous assets. The only real hardship is that their gratification may have to be delayed slightly.

In 1988 thousands of people invested in houses in the hopes of profiting from the rapid rise of housing costs in Toronto. The bottom fell out of that market in late 1989-90 and many ordinary small investors are suffering as a result. However, there has been no legislated remedy for the financial difficulties of these small investors, as speculation is risky. The same holds true for big landlords. There is no reason to bail them out of their speculative ventures. Throughout the 1980s, certain landlords rapidly expanded their assets with a minimum of capital investment, taking advantage of a rent review system which rewarded quick flips in an escalating market.

There are several reasons why their financial position should not concern the government at all. In the first place, of all groups hit by the housing slump, such large landlords suffer least. As corporations, the principals are not affected directly by any bankruptcy proceedings. Second, these landlords should never have been allowed to exploit the system as they did. Previous governments have attempted to control the negative effects of land speculation. For example, in the early 1970s the Conservative government imposed a land transfer tax to control the spiralling cost of property. The measures introduced by Bill 4 are just as necessary now.

Ms Mahoney: For our final major point we would like to address the concern that Bill 4 hurts workers. I think a lot of us feel some sympathy for the workers who have been laid off at some of the construction-renovation companies. It has been argued by them and landlord lobby groups that this is basically a result of Bill 4 and the fault of the government. There have been some demonstrations at Queen's Park on this point.

Is this a reasonable conclusion to draw? We do not think so. We think that the anger of the workers, although justified, is directed at the wrong target. It should be directed at the landlords who are cancelling the contracts, not the government which is moving to protect tenants and affordable housing.

Mr Drainville: Thank you very much for this very complete report which you have presented today. It is well documented and presents a point of view very, very strongly, a point of view with which we are obviously in sympathy.

I would like to just ask your view on retroactivity. You obviously see the retroactivity as being an important part

of this legislation that is being put forward by the government and I just wonder if you could explain how you view this.

Ms Mahoney: We are glad that the bill is retroactive. We understand the landlords' concerns. We heard some of them yesterday, or I did when I popped in. I would like to quote again the figure quoted by United Tenants of Ontario, which is that in the month before the election applications affecting 12,000 units were made, and after the new government took power applications for 36,000 units were made in that month. We think this, in our view, shows that landlords were trying to apply for their rent increases as quickly as possible so as to avoid the effects of the new government changing the law.

You have to apply at least 90 days before you expect a rent increase to take effect. I believe there was also quite a significant number of applications, as I say, affecting 12,000 units, even in August. That would be for November rents. The summertime, with the construction industry going on, saw a lot of applications come forward. I think that in order to fulfil the promises that the government made to the Ontario electorate, it had to introduce a measure of retroactivity into the bill to protect those particular units.

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I would also like to say that this was a point of some discussion at the Tenant Advocacy Group, whether we felt the government had gone far enough. The general consensus was that no, it had not. I have been a case worker in landlord and tenant matters for 10 years. This act we have now, the Residential Rent Regulation Act, is so bad and so inequitable to tenants and so damaging to the cause of affordable housing that if the government had gone back and cancelled all the orders issued since 1 January 1987, we would have been happy and we think that would have been justified.

When we discussed this, we thought, "How militant should we get when we come in front of this committee?" We thought we should probably present that point of view, but on the other hand, because you at least recognize that retroactivity to some extent is important, we thought we ought not to criticize you unduly for not being perhaps as militant as we would like.

The compromise position we took as an organization is that since cancelling an order would be going maybe too far—although in our view it is justified—any outstanding, impending rent review applications and phase-in notices, some of which are three years late being issued, we would like to see cancelled and put under Bill 4 as well.

Ms Harrington: In the last two days we have heard some very good presentations. They were all very well prepared and very enlightening for us. This presentation is just outstanding. It has answered all the questions that we have had before us. It actually looks at the whole big picture, not just your point of view. It looks at everyone's point of view.

On a couple of things you have mentioned, no one is making a profit in the real estate market this year. That is obvious. This answers some of the concerns that have been

brought forward to us by the landlords. I am glad that you also looked at the retroactivity. As I mentioned before, it is a very difficult issue, because fairness and justice are what we are all about. You look at that angle from all sides to try to look at retroactivity.

We would like to emphasize again your statement here that investing in real estate is a long-term investment. People who own buildings are there, I believe, to serve the tenants, to provide service. That is their job.

Last, landlords always benefit from the upgrading of their housing stock. That is what you have mentioned. I think that also answers a lot of the concerns that we have had with landlords in the last couple of days.

Ms Poole: Thank you for your presentation today. You are right—it is very militant. While I think you have brought up a number of points that certainly have to be addressed and show very clearly that there are problems in the system, there are a few instances where I think you perhaps have not been fair in your representation.

The first I am going to make reference to is when you said that the previous government response to this concern, meaning the luxury renovations, was to include clause 15 in the RRRA and talk about the Residential Rental Standards Board taking a look at the situation. That was totally unfair. When the minister brought in specific regulations late last spring, which were never given a chance really to be implemented, they included the fact that flipping a building after doing major renovations would be discouraged by putting a five-year limit on it, which said that landlords would be allowed to put in multi-year plans so that would try to discourage putting all the renovations in in one year, statements of disclosure being required. In fact, there were plans to bring in amortization schedules that would heavily penalize luxury items such as jacuzzis, marble lobbies, all that type of thing. So I think you have been quite unfair on that.

The second point was regarding the retroactivity, where you have basically said, "Well, it does not matter if the rules have changed along the way, because that is the landlord's risk." I was quite—I guess "impressed" would be the word—as it brought the point home yesterday: In one of the presenters' briefs, which he did not get a chance to read into the record when he talked about the retroactivity, he said, "As a home owner, could you imagine having arranged a five-year mortgage at 11%, feeling secure in your new home until after one year the mortgage company informs you that your mortgage is declared void and that for the remaining four years the interest rate has risen to 15%? As an employer, could you imagine new minimum wage laws being passed retroactive to 1986? As an employee, could you imagine your written employment contract simply being cancelled in midterm and your wages reduced?"

I do not think in any of those situations we could possibly justify it. While I have for years been taking the tenants' part and will continue to do so, I also have acted on the measure of fairness. The retroactivity clause bothers me for that reason.

I would like to ask you a specific question about the retroactivity. You have stated that in the month before the

new government came to power, there were 12,000 applications to rent review.

Ms Mahoney: I understand 10,000 to 12,000 units.

Ms Poole: In the months following, there were 36,000 units. My understanding from rent review and from various sources is that this is a cyclical trend, because as you know, in order to make application to rent review for capital expenditures, first of all, before you apply, the work has to be substantively completed, and then you have to wait for a 90-day period for your application before the rent increase. That means that most of the construction work is done in the summer months and that normally there is a large influx every year in the September-October period as the work has been completed and then the landlord makes application. Would you like to comment on that?

Ms Mahoney: Yes. I would like to comment on that and one other point, and then return to Deborah who wishes to comment on the first point you made.

I believe what you have just said, Ms Poole, emphasizes the point that we made, which is that the government had to act because of the cyclical trend. There were applications affecting it. If they had not made the bill retroactive, they would have lost out on protecting all those tenants for their late 1990-91 grants. So the fact that there was a cyclical trend contributed to the need for the retroactivity.

The other point I would like to comment on very briefly is the landlords' presentations from yesterday. First of all—

The Chair: The time allocated to the Liberals has expired. The Progressive Conservatives are next.

Mr Turnbull: Thank you very much. In view of the indulgence we gave you with regard to time, I would ask that you make your answers to me very short so that I can get a lot of questions in. What is your view of private ownership? Should it be allowed within the housing industry?

Ms Mahoney: The rental housing industry? I think we are stuck with it for the time being.

Mr Turnbull: But do you agree with the concept?

Ms Mahoney: I could not answer that in a short statement. We have to have a really meaningful dialogue on that for me to present my views adequately to you.

Mr Turnbull: Do you believe that for those landlords who are in for the long-term, as you state, profit is reasonable? What would your definition be? Should they get the equivalent of a bond rate of return?

Ms Wandal: At this point, as Ms Mahoney has stated, private ownership is certainly a reality. What we are looking at is not stating that profits should not be a possibility for landlords. We are simply looking at some kind of assurance that a proportion of their revenue always be set aside and be available for maintaining buildings.

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Mr Turnbull: Excuse me. You did not answer my question. I said, do you think that a bond rate profit level

would be an appropriate approximation of what you think would be commensurate—

The Chair: Order, please. Yesterday I was cautioned by committee members to keep our discussions to Bill 4. I do not mind philosophical questions.

Mr Turnbull: I think this is important. I am leading up to a point.

The Chair: I am not cutting anyone off. I am just reminding the committee that yesterday I was cautioned, as Chair, by committee members about trying to keep everything to Bill 4. I will continue to show all the latitude I possibly can, but I just remind everybody about what the Chair was cautioned about yesterday. That is my only point.

Mr Turnbull: Let me restate it then. I think the exact wording Ms Mahoney used was that it is hogwash that renovation costs are not covered. We have heard expert testimony from the Ministry of Housing stating that large capital items were never included in the guidelines, that it was only maintenance items. How would you get the money to pay for the capital items?

Ms Wandal: Our concern is maintenance and necessary renovations, and large capital expenditures if they are required. The angle we approach it from is that a proportion of the profits have to be set aside for—

Mr Turnbull: What happens if there are no profits?

Ms Wandal: At this point what we would like to see, if we were to get into it once this is over and we have a consultation process for the permanent legislation—

Mr Turnbull: Please do not talk about the permanent legislation.

Ms Wandal: All right.

Mr Turnbull: Let us confine ourselves to this question: What happens if there is no profit?

Ms Wandal: In a particular instance where a landlord has just bought a building and is not in a profit situation, we do not have at this point a ready-made solution for what will happen to that building, as far as where exactly the money is going to come from is concerned. He may have to put himself into arranging a loan in order to finance the work to be done on the building, but he will recover those costs—

Mr Turnbull: How will he arrange that loan if there is no money available in your view of Bill 4?

Ms Wandal: Because he is sitting on an incredible asset and that can be used—

Mr Turnbull: That is just simply not true. If they have owned it for three or four years, typically a landlord will be in a loss situation, which is typical with starting up any new business. They will not be making a profit, and therefore unless they are able to pass it through, they are unable to borrow the money, unless they can collateralize it against something else; in the case of one of my constituents, against his own home and he is in danger of losing it. How would you respond to that person?

Ms Mahoney: I would respond by saying that in our review there are very few landlords in that position. I

would ask, how do you respond to the fact that for every landlord in that position there are hundreds of tenants who have for years been paying under a rent review system an incredible amount of rent increases and getting nothing or deterioration of maintenance and increasing spiralling land costs because of the system?

We can trade numbers here, Mr Turnbull, but we are not here with an answer to bail out people who got stuck in a land speculation deal. That is not our viewpoint.

Mr Turnbull: That is unsatisfactory. If you have renovations that are required which are of a capital nature, where does the money come from? Does it miraculously come from heaven?

Ms Mahoney: It should have come from the landlord putting the money aside, as any prudent investor would have done.

Mr Turnbull: The Ministry of Housing has said there is no provision in the present regulations.

Ms Mahoney: Capital expenditures have been allowed for 15 years.

Interjections.

The Chair: Order.

Ms Mahoney: Why did they not do the work—

The Chair: Turn off the mike, please.

Mr Drainville: On a point of order, Mr Chairman: With due respect, Mr Turnbull, you are coming very close to badgering the people. They obviously have a different point of view. We have had lots of different points of view and at some point we have to allow that there are different points of view. I do not think we are in the position of having to badger the witnesses when they have a different point of view. The fact that they differ is self-evident.

The Chair: Mr Turnbull, you have 30 seconds left.

Mr Turnbull: You have said the speculators were getting caught. What about the people who are not speculators who have owned small buildings, say for three years, and have bought them with their life savings? How would they handle the present situation when their financing is knocked out of kilter?

Ms Mahoney: You say they have owned it for several years?

Mr Turnbull: Somebody who has owned it, say, for three years and is losing money. How should they handle this situation?

Ms Mahoney: Well, I would like to go back and ask, why did they buy a building that they were going to lose money on in the first place? If I bought a car I could not afford. I would not expect somebody else to bail me out.

Mr Turnbull: No, excuse me. All businesses expect that during the initial years of an investment you lose money. That is the nature of business.

The Chair: Thank you, Mr Turnbull. I want to thank the presenters for appearing before us today. Your brief has generated a lot of interest.

Ms Mahoney: Thank you very much for the time and your courtesy.

Mrs Y. O'Neill: On a point of order, Mr Chairman: As a result of that presentation, I would like to make another request for information from the ministry.

The Chair: I would ask ministry staff to take note.

Mrs Y. O'Neill: This is in writing. I do not want it presently. I would like to have a review of the applications for the last three years. We have been told that there is a cyclical application process—and I have heard this, I have not had it in writing—and that is really based on the Canadian climate and when work has to be done and the 90-day qualification. I would like to know for the last three years the numbers of applications that have come in in each month of those years.

The Chair: You are requesting the Chair to formally request that in writing?

Mrs Y. O'Neill: From the ministry, yes, please.

The Chair: I will have staff prepare the request.

Ms Poole: One amendment, Mr Chair: The number of applications and the number of units.

The Chair: We will have staff review Hansard to make sure that we request what the members have asked for.

McQUESTEN LEGAL AND COMMUNITY SERVICES

The Chair: The last presenter for this morning is McQuesten Legal and Community Services. I hope I have pronounced that correctly. I would ask the presenters to come forward, Denise Giroux. Please have a seat, make yourself comfortable. You will have until approximately 10 after 12 to make your oral presentation to the committee, and we will reserve a further 20 minutes for questioning by members. I would ask that you please, for the record, identify yourself and whatever position you may hold within your organization and I would like to turn the floor over to you.

Ms Giroux: My name is Denise Giroux and I am a senior staff lawyer with McQuesten Legal and Community Services in Hamilton, probably the only person from outside of Toronto here other than the members of the committee and Don Abel, who is one of our MPPs in the region.

We at McQuesten Legal and Community Services, and I in particular, service tenants with landlord-tenant matters or disputes, as well as assisting them in organizing tenants' associations and preparing submissions, etc., for rent review matters. I can say that I am speaking on behalf of several tenants' associations today. I understand that you are seriously considering bringing your committee to Hamilton and I hope that some of those associations will have a chance to speak to you directly. But in the meantime I can say that I am speaking for them as well as from our own experience.

You have in front of you my brief, and I would like to highlight the particular recommendations and problems that we see with the rent review system. I would like to commend the people who spoke before me. I think they have touched in a very detailed way on many of the problems with the legislation.

Essentially, the government itself has recognized that the legislation is too complex and riddled with loopholes and that it has more severely prejudiced tenants by far than landlords. The only true prejudice to landlords, in my opinion, is the delays that are caused by the rent review system itself which lead to administrative nightmares for them as well as for tenants.

The key concerns, though, are highlighted on the first page of my brief. Orders providing for large rent increases obviously are retroactively effective and result in sometimes thousands of dollars being owed by tenants who simply are never in a position to pay that kind of money if they are on fixed incomes.

The fact is that many buildings we have worked with have seen increases of 10%, 12%, 15% year after year after year as landlords return to the rent review system for increases. Certainly their incomes and social benefits have not gone up by anything near to the percentages of increases we have seen in their rents.

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Also, the other side of the story is that many, many landlords disregard any legislation in the province and collect all kinds of illegal increases. One of our key concerns with this legislation, the proposed legislation as well as the present existing one, is that there has been no enforcement of the protections that are there, no prosecutions or very few at all, of landlords who are collecting illegally, and in fact the number of enforcement officers in this province is literally a joke. One of our major recommendations is that if this government is going to be truly committed to real protections, it had better put a lot more enforcement officers in there and put an end to the illegal activity which is rampant out there.

The Ontario New Democratic Party in its convention of 1984 criticized the Conservative government at the time for being "too timid and ineffectual" in responding to the affordable housing crisis in the province. We have seen in the seven years since that time that the Liberals' legislation has also been very timid and ineffectual and that ultimately this rent review legislation has benefited criminal landlords, irresponsible landlords perhaps more than responsible ones.

I think that is a key element of my experience from the dozens of buildings we have worked with. There are no repercussions, no true penalties to landlords who are out there breaking the law or disobeying orders of the rent review system.

The Minister of Housing is stating that the government is committed to making the system simpler to administer, to understand and to use and that this initiative is a moratorium to protect tenants.

Before I go on to outline some of our more specific concerns with the proposed legislation, I would like to highlight on the bottom of page 3 our essential position, which is that interim legislation, particularly if it is only going to be for a year or two years, should provide a true moratorium and put a ceiling of the guideline increase effective 1 October until permanent legislation is passed.

We do not see any reason at all and very little prejudice to any of the landlords of a one- or two-year moratorium

restricted to the guideline. That would be the easiest and most logical and fair response, in our opinion, in the interim while these larger issues are hammered out for the permanent legislation. We continue to call on the government to maintain its campaign promise in that regard.

On page 4 of our brief, you will see the major areas of concern and they are broken down into three. First is essentially the delays which have been borne and prejudices to tenants particularly. Second is the failure of this bill as well as the past legislation to link standards of maintenance with the entitlement to increases. You will see that our essential position is that unless a viable and effective link between maintaining property standards in buildings is made with the rent control legislation, then we will still see deteriorating standards regardless of what new legislation is created. Finally, the lack of enforcement, which I have already touched upon, is the third main area.

With respect to procedural delays and hardships, I would like to focus on rebate applications made by tenants who have or believe they have been paying excess rents or illegal rents and are trying now to get them back from landlords. The act is very short in remedies available to them. We have seen, in our office, a tenant who attempted to get a lousy \$600 back that she had paid in excess rent. It took two and a half years for a rebate order, a very straightforward application. Never do we get an explanation from rent review services as to why these delays take place.

They are totally unacceptable and the government must ensure that these people are doing their jobs more effectively. This woman's order, which was in her favour, was appealed by the landlord, which delayed matters a further year. She was not able to collect, even though she had attempted to do so and when the appeal actually took place the landlord failed to show up. In my opinion, he had no intention of seriously appealing the matter. It was simply a delay mechanism.

This woman, in hindsight, would have been much better advised to take a small claims court action for debt and could have had the matter dealt with within a year in Hamilton, certainly within even four or five months. If the rent review system is not prepared to actually give a more effective remedy than they are able to get in the court system as it is, then what good is it? That is the kind of thing it must address.

In the meantime, we are seeing notices of phase-in issuing at a suddenly phenomenal rate from our rent review office. This itself is suspect, because I am still waiting for orders on buildings that I have made submissions on from December 1989 or January 1990. They are not being processed but notices of phase-in for increases effective after the 1 October 1990 date are coming out, allowing landlords to collect under those things until or unless legislation is passed. Ultimately, tenants will have the burden of trying to get that money back if it is passed.

Many tenants will never know they have a right to that money back and landlords will be unjustly enriched. That is not even touched upon in the act. In any event, those who do apply will already be seeing the same delays, I suspect, if the procedural delays are not addressed in this

legislation and in the permanent legislation. If we are going to be seeing them waiting another year or two years for rent rebate applications to be processed, they will not be very much further ahead.

Bill 4's response to that—found in several sections, such as section 100o, section 100p, section 100q, to be specific—says that the landlord will have to pay these tenants any amounts that they may owe them after the legislation is passed within 60 days. But there is no penalty section. There is no sanction whatsoever if they do not. So a landlord has no incentive whatsoever to comply with that. In fact, if he is reasonable, he would delay it as long as possible because at present he does not have to pay interest on those amounts. He does not face the possibility of adverse cost awards when a rebate application results in an order.

On page 6, I have highlighted some very specific recommendations to deal with that and, if you are sincere about getting that money back into the right pockets quickly, I think you should seriously consider some of these. Interest awards should be possible on rebate applications and cost awards of about \$50 to \$100 should be granted where a rebate application is required. If the tenant has to make that application in the first place it is because the landlord has failed to comply with his obligation to return that money within 60 days.

Second, we see no reason whatsoever why rebate applications should not be processed within 60 days themselves. They are generally straightforward and there is no excuse whatsoever for a year or two years for these to be processed.

The fourth recommendation on page 6 suggests that a process for initially assessing an appeal provided by a landlord to the system should also be put into place. The kind of scenario I described where the woman had waited two and a half years and then the landlord appealed simply to be vexatious and to delay payment should never happen. These are clogging the system, taking up appeal board members' time and they come into Hamilton and they do not even show up. There should be some initial assessment to see if there are in fact valid grounds for appeal. This would help eliminate some of the backlog and get rid of cases that have no merit whatsoever.

With respect to the bill's proposals relating to whole-building applications made by landlords, we at McQuesten and the tenants we work with do welcome the restricted criteria which are outlined in this proposal. However, we, and you have to forgive us, certainly doubt whether landlords will not be able to come up with some very imaginative ways to start fitting everything into extraordinary operating costs.

They have called deferred maintenance capital expenditures. They have called regular operating costs capital expenditures. Why would they not be able to find creative ways, especially with the help of their overly well paid landlords and consultants? I am sure they would be able to find ways and I would recommend, on page 7, the first recommendation outlined there, that clause 100e(1)(b), which is the section defining the meaning of "extraordinary operating costs," be restricted more severely.

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It seems to me that the hurdles set out there for landlords to jump are much too liberal. Already it is foreseeable that with the increased hydro costs, for instance, that took place in January 1991, every landlord may have a cause under this extraordinary "operating cost" definition to get an increase above the guidelines. We could see again a swamping of applications for increases so there will be no moratorium. There will be no simplicity through this legislation. There will be no clarity. There will be no fast-tracking of the problems.

Section 100s in the proposal states that any application already received by the landlord either under the old legislation or in these months while you consider the legislation will be deemed to be an application under the new legislation. That section also sets out the possibility for landlords and tenants to make further submissions on such applications; however, it does not require that landlords actually do make submissions, and we see major problems with this.

First of all, we believe that the responsibility for determining or providing information in support of an increase lies squarely on the shoulders of the landlord. In the past, our rent review office has been provided by landlords with cost-revenue statements that have been so poorly completed that they are hardly legible. Often they are incomplete, but never have I seen them returned to the landlord and him being told, "If you don't clean this up, we will not consider your application."

In support of their application they will submit an envelope full of invoices in no particular order. It is not clear to the tenants or to the administrator, I am sure, what these invoices are supposed to go to. This is their standard of proof and it is laughable. As a lawyer I cannot believe that a system is intended to make decisions on that kind of a case. If landlords cannot take greater responsibility and meet a higher burden of proof, then they should have their applications automatically dismissed.

In relation to the proposed legislation, we believe it should not be up to the administrators to take the applications presently filed with them, sit down for hours at a time and try to weed out anything that falls under the old legislation and is no longer relevant and figure out what in fact is relevant among all of that. It should be on the landlord. If they are going to be given 30 days to make further submissions, it should be in order to withdraw all applications that are not, including extraordinary operating costs claims, or to highlight within those old applications those sections that actually touch on the present criteria.

If they do not do that, their applications should be dismissed. Why are you bogging down the administrators with trying to figure that mess out? It is going to take months at the rates we have seen. Those are specific problems that I think can be avoided if you as a committee give these matters serious consideration and actually make the act work in a more efficient manner.

On page 9 of my brief you will see those specific recommendations set out, and I have gone to the trouble of setting out the sections which I believe need to be amended. I am suggesting that section 100s be made mandatory so

that landlords have to withdraw applications which are no longer relevant—it should not be up to the administrator to figure that out; they know whether they have applied for extraordinary operating costs already—and to highlight the relevant portions of their existing applications so that the administrator can immediately focus on the relevant portions.

In some of the earlier questioning that I have managed to catch, we have seen that some people of the committee and many landlords—and I am sure you will hear from more this afternoon—are concerned that they will not be able to make a profit or that they will not be able to make enough of a profit to suit them. What I hear in some of that questioning is that it seems some people are advocating that this committee should give greater weight to the possibility of a few landlords losing their business risk, their business investment, maybe in a very few instances possibly losing their own homes which they have personally mortgaged to get loans. That is supposed to be taken more seriously and be somehow more morally reprehensible and socially unacceptable than the fact that thousands of tenants have lost their homes through this system because they simply cannot afford these increases.

What about those thousands of tenants who have lost their homes? Why does that not greatly outweigh the few landlords who are not making profits high enough to suit them? The fact is that the landlords in this province are never going to make enough profit to suit them. They would like no system. They are calling for a ban of the rent review system completely. That is what they were doing in the past. That is what they will continue to pressure governments for.

The fact of the matter is that even with this interim legislation as it is set out we are going to see delays in processing, because even by the time this legislation is passed—we can presume, let us say, 1 April as a passage date and royal assent is given—that would be six months past the date of a 1 October increase. It takes at least 60 days before further submissions are received, so by 1 July or 1 August we are looking at an administrator possibly pulling the file to make a determination. We are going to be seeing orders coming out in December 1991 or early spring of 1992 that are retroactive to the fall of 1990 and the spring of 1991, and we will be facing the same problems with thousands of tenants in the province seeing a retroactive increase meaning they are in arrears by thousands of dollars, and they simply cannot afford them. This problem is not being dealt with.

I would like to go on now to the second major area of concern, which was the ongoing maintenance of rental residential complexes. Tenants in Ontario, particularly in large high-rises, usually owned by large landlords, have seen deteriorating standards in their buildings, and this, it must be said, at the same time as their landlords are getting 17% and 20% and 33% increases. It is a lie that it is not profitable to make maintenance—in fact, many landlords who have received money for capital expenditures or anything else have also allowed regular maintenance to be neglected, so it is not necessarily a connection of no increase, no maintenance. What we see are plenty of

increases, still no maintenance. The threat of a maintenance strike is a serious one and needs to be dealt with, but it is no news to tenants across the province, especially in large buildings, because they have seen a maintenance strike in effect.

The Chair: Thank you for your presentation. We will move right along.

Ms Giroux: Could I just add a word? I will not be able to finish the paper, but my recommendations are there. I said earlier that maintenance should be connected to the entitlements and they should be disallowed from entitlements if the maintenance is not done, breaches of property standards; and the commitment to hire more people in order to make sure that the illegal side of activity out there is put an end to.

Mrs Y. O'Neill: Ms Giroux, I have quite a bit of difficulty with your presentation. If I hear what you say, and I am doing my best, you do not seem to acknowledge a moratorium that is in existence. I do not know whether you were here earlier this morning when I raised what I consider a serious issue, that the legislation that is now in and has received royal assent in this province is somehow now on some kind of hold while we await pending—I do not have the answer from the minister yet, but that has been the general impression that has been given both in this committee and in ministry documents.

If I go, first, to the top of page 5, that is in direct contrast—I do not need to use the word “conflict”—to when we had the presentation from ministry officials yesterday, and I read from those: “Phase-in: If the first date of rent increase affected by a notice of phase-in is on or after 1 October 1990, this will be voided under Bill 4.” There are approximately 2,800 notices affecting 39,300 units that have been voided. I am speaking from ministry documents—in fact, the documents of an assistant deputy minister. Whether you have just inadvertently not stated that first date of increase, 1 October, is a very significant date, and whether you are saying phase-in orders that may be arising from 1987, 1988 or 1990 are happening, you are certainly giving at least the impression here that phase-in orders are still being issued. That is not correct, if the ADM—I do have to believe the ADM.

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Ms Giroux: If they have received a directive recently to stop issuing them, that is news to me. I have seen coming into my office a huge number of notices of phase-ins in the last few months since the interim legislation was proposed, and tenants have been told by rent review services that they are obligated to pay those phase-ins pending any retroactive voiding of those phase-ins.

Mrs Y. O'Neill: I really hope you will immediately check with the Ministry of Housing. You are in a very significant position in your community. You are giving advice to many people. I really believe you have a right to go even to the ADM to find out whether you are giving correct information. We have also been told this morning that applications are not being processed at all, and throughout the rest of your brief you do indicate that things are continuing as normal.

Ms Giroux: No, you misunderstood me there. It is not that applications are being processed now. The legislation says that those applications which have been filed, either prior to the proposals being presented to the government or to be filed under the new legislation, will nevertheless have to be seen and dealt with and will result in retroactive orders if landlords are able to prove a claim for extraordinary operating costs. I am suggesting to you that they will find very imaginative ways to try to squeeze things into that definition and ultimately try to justify increases above the guideline. I am not saying that they are processing them now and that orders are issuing; I am saying that they have to eventually. The procedures in place for dealing with that are very inadequate at the moment.

Mrs Y. O'Neill: Well, that is your opinion. I am glad you have that procedure correct, because you and I share the same understanding on that.

Mr Brown: I am interested in a quote you have chosen to make in boldface on page 3 of your submission. It says, "Rent review legislation has benefited irresponsible, indeed criminal landlords as much as, if not more than, responsible landlords." I wonder what evidence you have to present to the committee that that is in fact the case.

Ms Giroux: I can speak with respect to all the buildings I have represented where landlords are in clear violation of property maintenance standards and may be doing capital expenditures of work which is or is not necessary but is not necessarily addressing the more pressing maintenance problems, and getting increases under the rent review legislation which therefore rewards them for ignoring the more pressing repair problems.

Mr Brown: What you are telling me and the committee is that anecdotally you can say that, but you have no statistics whatever to back up your statement. Obviously, people with problems come to you; people without problems do not. If, following your statement, I was to go and look at rent review records for the last three years, I would assume that the majority of those people have to be criminal, irresponsible landlords, because they are the ones who ask for an increase. That is what you are saying here. Is that what you believe?

Ms Giroux: Some of them, yes. That is right.

Mr Brown: You are saying, "has benefited more."

Ms Giroux: Yes, because many landlords who do their maintenance adequately, maintain proper buildings, and they have fewer landlord-tenant disputes generally. In fact, most of them have not been the ones who have had to go to rent review, because they are making a reasonable profit and the guideline increases help them to maintain that.

Mr Brown: In other words, the ones who have gone to rent review, the majority of those will be criminal, irresponsible landlords.

Ms Giroux: No, that is your way of putting it. I am saying it has benefited landlords who ignore the more pressing repair problems and in fact have been documented to be in breach of property standards. Also intended by that

bold statement are the enforcement provisions of the rent review legislation, which are a joke. They are not enforced and landlords know that any violations, any illegal increases they collect, will be completely ignored by the enforcement branch even when they are reported. They are not being punished for violating the provisions of the act.

Mr Brown: You said, "Thousands of tenants have faced economic eviction." That is an interesting statement. I wonder where you get those numbers.

Ms Giroux: I am sure if you wanted to give all the legal clinics in this province time to pool their figures, they could come up with quite a few thousand tenants they know have been evicted or have left simply because they cannot pay the arrears owing under this rent review legislation.

Mr Brown: So that is a subjective opinion you have given to the committee.

Ms Giroux: No, it could be backed by stats. I do not have them here for you. The point is that many do get evicted; many cannot deal with those increases that are awarded. My point when I made that statement is that their problems, their hardships, do not seem to be given half the weight of those of a few poor landlords who may not make the profits they want or may, lo and behold, lose on their business, purported by some of the members.

Mr Brown: We are going to Hamilton later, and perhaps when we are there you would have compiled those statistics for us.

Ms Giroux: Are you saying you will give me a second chance to present some information to you?

Ms Poole: In writing.

Mr Tilson: You and I probably have one thing in common, and that is probably all. That is that we are both lawyers. Shakespeare said, of course, that the first thing we have to do is get rid of all the lawyers. You are now saying, it would appear, that the second thing we have to do is get rid of all the landlords, which leads me to my first question, a question you have heard me ask other witnesses as you have been sitting here this morning. It is a philosophical question, which may not be yours personally, but at least from observations you have had in discussing matters with your clients. That is, should government own all rental housing accommodation?

Ms Giroux: I am prepared to answer that one. No, government should not own all housing. There is a place for private landlords, but not those who see it only as a commodity for buying and selling and making a huge capital gain.

In the Hamilton Spectator yesterday, one of the leading members of the landlords' association in our region, which extends down to Niagara, says that these poor landlords who thought they were entering into a nice retirement investment, something that would keep them a bit occupied when they retired and bring in some nice money, are disappointed. I am sorry, that is not what you get into this venture for. Housing is a right. People consider these places their homes, and their homes are not just a retirement investment, a nice little investment. If the big

developers are unable to build affordable housing, I think there are very innovative ways to encourage them to do that. I think land deals, development rights, building permits, etc, could be tied to providing a mix of affordable housing in new projects.

As far as encouraging other affordable housing projects is concerned, I think smaller-scale responses are required. In the Hamilton-Wentworth region we have a task force on affordable housing which is coming out soon with a report. It will have great details which we will be bringing to the government's attention, and I hope you will look at those for more complete responses.

But already the intensification issue has been a major one in the province. Small home owners are finding innovative ways of helping them to pay the mortgage and housing other people who need small, affordable units. That is the kind of thing we should be looking at. Redevelopment, intensification of old warehouses, things that are going to make it cheaper and easier to build affordable housing. That is where small, private people with the right attitude about housing, seeing it as a decent place and, yes, a business where they can make a tidy profit, would be encouraged to enter into further developments.

Mr Tilson: Thank you. You have confirmed what I understood your philosophy to be. Following Mr Brown's questioning, on the comment that landlords are not complying with municipal bylaws—I think that is what you said—could you clarify that? Are you telling me that the municipal officials are not enforcing their bylaws? What are you saying?

Ms Giroux: I am saying that to some extent. I think they, too, complain that they are understaffed and under-resourced, but I think they also have their priorities mixed up. I think the province would do well to direct municipalities to make enforcement of property standards a high priority and empower them to actually prosecute landlords who are not complying and ensure that there are ways of bringing buildings up to standard where landlords simply refuse to co-operate, namely, already in place as I understand it, suggestions such as doing the work or hiring contractors themselves and then deducting those costs from the landlords by way of either additional tax levies or penalty fees. There are all sorts of ways it could be done.

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Mr Tilson: What municipalities specifically are not enforcing their bylaws?

Ms Giroux: I am from Hamilton and I can say that Hamilton-Wentworth's municipalities are not adequately enforcing their property standard bylaws.

Mr Tilson: Have you, as a solicitor acting on behalf of tenants, or your legal community services clinic, made representations to the city of Hamilton on that matter?

Ms Giroux: Certainly. I am also a member of that task force on affordable housing and pressing very strongly for that. But I am one solicitor in one of three legal clinics which each have one lawyer devoted to representing tenants, and basically those are all the representatives the tenants have in that community.

Mr Tilson: I think that leads to my final comment. We have a system that has become very complicated. The very fact that tenants have to hire lawyers to go through very complicated procedures, from which they are not receiving benefit, is a terrible thing. Hopefully, this green paper being introduced will do away with much of the bureaucracy that has been implemented in the past and will not create more bureaucracy.

The second thing, Mr Chair, is with respect to the comment you have made that perhaps there are more groups, more tenant groups, more landlord groups who wish an opportunity to be heard. I again emphasize that we are obviously getting into an area that is beyond Bill 4, and that hopefully the area being set aside by this committee to deal with the green paper will be devoted to Bill 4 as opposed to strictly the green paper.

Mr Duignan: Thank you for coming here this morning. I want to talk a little about pass-throughs. We have had a number of landlords come in over the last couple of days and say that because Bill 4 no longer allows pass-throughs there will be no financial incentive to maintain the quality of their rental accommodation. However, Bill 4 is not new government policy. The present Liberal legislation allowed pass-throughs only when there was ongoing and deliberate neglect. As only 15% of landlords apply for increases above the guidelines, do you agree that the majority of landlords will be unaffected and should continue to maintain their buildings in the same manner as before?

Ms Giroux: My general impression is yes. You touched on ongoing deliberate neglect; if I could touch on that, too. Ms Poole mentioned some proposals and I do support some of the ones she presented. The present section in the act on ongoing deliberate neglect has proven completely void of meaning, partly because boards have been unwilling to give it any meaning but also because it is very difficult to prove. I think her suggestion that no guideline increase at all be allowed where landlords cannot provide or come to a hearing with a complete bill of health, some kind of order from the municipal property standards branch saying they are in substantial compliance with property standards, would be a good idea.

Mr Duignan: That exists through the present Landlord and Tenant Act and the fire code and the residential standards act. The government can compel landlords to maintain the buildings under those acts, correct?

Ms Giroux: In theory, but they are not doing it.

Mr Drainville: Mr Brown indicated his doubt, I think it would be fair to say, that thousands of tenants have—you did not indicate that?

Mr Brown: If I might just clarify that. I was not expressing doubt. I was asking for some statistics. When you make a statement, I presume you have the statistics to prove it. Otherwise, it is a conjuncture.

Mr Drainville: It might be conjuncture, but do you have a doubt or not? I just want to understand, because if you do have a doubt, I want to do something about it.

Mr Brown: I want to know what the facts are.

Ms Giroux: If you just took every unemployed person, every disabled person, everyone receiving social benefits of any kind, and there are many in the province living in rental housing—or just looked at the numbers statistically that many of the ministries of the government must compile—and asked them how they could afford to pay \$1,400 retroactive rent increases, that will give you your answer. Those people cannot, and unless the landlord is prepared to waive it, they are out.

Mr Drainville: Mr Chair, I wonder if we as a committee could ask all the tenants' groups that have been here, particularly the legal aid clinics, to bring, to the best of their ability, statistics indicating the number of people that they have worked with who have been evicted because of what we call economic eviction. I think that kind of attempt to bring together those kinds of figures is helpful and germane to this discussion because I think it has been raised, I must say, by landlords who have been before the standing committee, it has been raised by them that really the problem is a matter of lack of income. Many of them have even indicated that there is no such thing as economic eviction. I think we need to deal with this on a straightforward basis, and there have been many requests for information. So I would ask, if you would, Mr Chair, through you to the tenants' groups that have been here, to indicate our need for such statistics, as much and as clearly as they can present them to this committee: in writing, of course, not to come back before this committee.

The Chair: Do you want us to go back to the groups that have already appeared and all groups that will appear?

Mr Drainville: Yes, that is right.

The Chair: And that is for all groups, both tenant and landlord spokespeople. We should make a request of everyone.

Mr Drainville: Basically, I think the view was that tenants are being evicted economically. The question was, how do you know that there are thousands? I think we need to clarify that, and one way of clarifying is by getting those kinds of figures from the tenant groups.

The Chair: I will have staff prepare a letter.

Ms Poole: I just wanted to make one addendum to that. I would like very much to get the statistics. I know there have been many economic evictions, and I would like to see it backed up by statistics, but I also think it is important we get the full picture. So at the same time, if the tenant groups that are presenting do have any statistics as to tenants who have been economically evicted and have not paid the back-owing rent, if they have any statistics on what the amounts of the back-owing rent that the landlord forwent in those circumstances, I think that would give us two sides of a very distressing picture. That is only if they have that information. If they do not, that is fine.

Ms Giroux: Collecting that information would be so difficult.

Mr Brown: On this point I think the information would be very useful, but for it to be meaningful all groups have to be talking about the same thing. So some definition

of economic eviction has to be presented, otherwise we could be comparing apples and oranges very easily.

Mrs Y. O'Neill: I feel that we have to ask the ministry officials the best way to obtain this information. I really do not think it is terribly meaningful. The individual presenters have not had a lot of experience dealing with government. I think Mr Brown's statement is very relevant. They will know what we mean when we ask for eviction orders or people who have skipped, and likely they will have some data on this. If they do not, they will be able to tell us how to get it. They have regional offices throughout this province. We have a lot of work for our clerks and I think we should at least get advice before we move on this one. I think it is very relevant information, and I want it to be as meaningful as possible when it arrives here.

Ms Poole: Might I suggest the steering committee could deal with this and then report back to the committee.

The Chair: I do not know when the steering committee would meet unless we decided to come back tonight at 8 o'clock.

Ms Poole: I was going to say I am sure that at midnight members must be available, because surely our committee will not sit beyond that.

The Chair: Before I see if I have a consensus, is there any advice I can have from ministry staff? Is there anything staff can tell me on these requests? Then we will have Ms Giroux give us some more advice.

Ms Parrish: I think we would have to sort of go back to the ranch and see what we have got. There may be some material that might be helpful from the Thom commission and so on, but I think some of this material will be difficult to obtain. We could also contact our colleagues in the Ministry of the Attorney General who administer the Landlord and Tenant Act. The problem will be that it is not always apparent why people have left. It is going to be difficult to extrapolate, for example, when you get someone who is evicted because he has not paid. You would have to sort of correlate that to a recent rent increase or retroactive payment. We will certainly do our best to find out what the data sources are that do exist about landlord and tenant turnover. We do have some statistics about basic turnover. We will do our best.

1230

The Chair: Mr Drainville, do you still want me to proceed by writing basically a form letter to all the groups that have appeared and the ones that will appear?

Mr Drainville: Let me say that what I find interesting is the kind of addenda that have been put on to this request, because quite honestly, there are many ways of being evicted economically. One of the ways is by, when the lease comes up and knowing that you cannot afford to pay it any more, moving out. The point is that when the person who was making this very fine presentation made it to the committee, to say that there have been thousands of economic evictions, I do not think, is a statement that really needs a lot of corroboration. I mean, any of us who has had any dealings over the years with problems around

tenants and landlords have seen in our own cases scores and even hundreds of people who have had these kinds of problems. To say that there are thousands in the province of Ontario is to make the understatement of the year.

The point I want to make in all of this is that I do not think those kinds of statements need to be challenged, but if they are challenged, in my view then all of a sudden you should not come up with a definition that will preclude a great many things and add to the definition, because it is going to be difficult enough to come up with the information to begin with. My feeling at this point is that it hardly benefits us if we are going to define it so particularly, as the opposition has indicated. I think the point has been well made and I do not think we need to go any further with it.

The Chair: How would it be then, if that is the case, if we just have ministry officials go back with some suggestion that a review of the Thom commission data would, or may, add some information to this? We will take that as a first step, and then the committee can consider other steps when we receive that information. Ms Harrington, you have one minute.

Ms Harrington: I appreciate your statement that the previous bill has been an administrative nightmare. As a lawyer, I am sure you have gone into that. Your recommendations here, in very much detail, are appreciated, and I would refer you to our ministry staff person with regard to some of your questions. I believe she can answer some of them immediately.

Your statement that apartments are not just investments but they are homes and that they are a right and that this involves a change of attitude, I would like to underline that. That is why this government is here.

I had one question. As a lawyer, how would you view the retroactivity of this bill?

Ms Giroux: I think my paper outlines that, particularly in a section entitled "Retroactivity of Orders." I see that as touching on the fundamental problem of rent control legislation, and that is affordability, now and for the future. How do you guarantee that? If landlords get the increases,

even if they continued to get 11%, 12% average increases across the province, people's real incomes just are not going up that high and neither are social benefits. So how do you address the affordability problem? I think we have to put an end to that continuing, spiralling increase. There has to be another way, and I think my paper does outline some of those specific things that could be done to control that spiralling effect.

Ms Harrington: Would you feel that the retroactivity that is involved in this bill is out of line?

Ms Giroux: Definitely. If you mean the application to October and the voiding of orders, no. But if you mean the possibility that it is going to take a year or two years before the applications, whether under the old legislation or under the new legislation, get processed and result in increases maybe smaller than what we have seen on average but never-the-less above the guideline, then we are going to be facing the same affordability problems and people being evicted.

Ms Poole: This should take a very short period of time. I would just like one other item of information from the Ministry of Housing staff. Could we please have the breakdown of multiresidential housing starts by the private sector on an annual basis over the past five years? And could we also have condominiums included in that?

I do not know whether there will be any breakdown available as to the number of condominiums that are actually used as rental. My understanding is that the vast majority of condominiums dealt with over the last five years are being used as rental accommodation. I would be pleased to go over with ministry staff any particulars relating to this.

Mrs Y. O'Neill: Mr Chairman, will we be getting our new calendar for next week this afternoon?

The Chair: I put that on a rush and the clerk is working very, very hard and has been all morning. I hope to have something very substantial to present to the committee this afternoon. We will resume at 2 pm.

The committee recessed at 1237.

AFTERNOON SITTING

The committee resumed at 1403.

STEEPLEJACK AND MASONRY RESTORATION
CONTRACTORS ASSOCIATION

OPERATIVE PLASTERERS AND CEMENT MASONS'
INTERNATIONAL ASSOCIATION

LOCAL 172, RESTORATION STEEPLEJACKS

The Chair: The first presenters of the afternoon are listed as Steeplejack and Masonry Contractors Association, and OPCMIA, Local 172, Restoration Steeplejacks. You have been allotted 40 minutes for your presentation, 20 minutes of which will be for an oral presentation or a visual presentation for the committee, followed by another 20 minutes of questions and answers. I would ask that the delegation introduce themselves and also acknowledge for the record what positions they hold with any of the organizations they are representing. We will turn the floor over to you; you have until almost 2:25 for your oral presentation.

Mr MacKendrick: Peter MacKendrick, president of the Steeplejack and Masonry Restoration Contractors Association.

Mr Kinsella: Jerry Kinsella, business manager and financial secretary of OPCMIA, Local 172.

Mr Wice: Tony Wice, with Steeplejack and Masonry Restoration Contractors Association.

Mr MacKendrick: To begin, I would like to thank the standing committee on general government for the opportunity to make this submission.

We have not come here today to make recommendations or demands about the recent amendments to the rent review process, but to let the committee know of the devastating effect the latest amendments have had on our industry. We understand and support that these amendments were introduced to eliminate luxury renovations whose sole purpose was to jack up rents as much as possible. While the amendments stopped the luxury renovations, they have also stopped hundreds of projects meant to repair and maintain these structures. These restoration projects create the work for our employees, the members of Local 172. Now many of these men are unemployed. Stopping these projects has also compromised these buildings' structural integrity, threatened public safety and reduced their energy efficiency. There is an enormous difference between luxury renovation and structural restoration.

I would like to acquaint the committee, by way of slides, with the type of work we perform. As our names suggest, we do masonry and other related work on the exterior of buildings, often 20 or 30 floors in the air. This work might typically consist of the removal and replacement of bricks, the repointing of mortar joints, the adjustment to steel shelf angles that hold brick panels on the wall, the repair of deteriorated concrete walls, floor slabs, balconies, the repair of stonework, the recaulking of windows and other necessary joints.

At this time I would like to dim the lights and show the slides.

What we are looking at are deteriorated brick panels on the side of an apartment building and the work that is going on to restore them. These are just other details of deteriorated bricks, concrete work.

These are close-ups. You can see the deterioration that is due to frost/thaw cycles, moisture getting into the bricks, freezing, popping off. Again, more details of the sort of damage that is typically found on a lot of apartment buildings, whether they be rental or condominiums.

This is a picture of a bulging panel. I do not know if you can see that on the left side of the panel there is a bulge in the brick. There is a phenomenon known as "shrink and creep," where the concrete substructure of a building actually shrinks with age and the masonry panels expand. It creates a pressure whereby the masonry panels want to expand, and when they are compressed what tends to happen is that they push out. You can see the beginning of that bulging.

Here you can see the side of a panel where the bricks have been removed. It has actually bulged out about two and a half to three inches and is in a very precarious state of falling. This one was about 20 floors above the ground, above sidewalks.

Here you can see a crack in a structural column. Again, this is about 20 floors up. Here you can see where some brick panels have actually bulged off the wall. Until they could be repaired, they had to be secured with wood and steel beams because the bulging was so significant that there was a potential they could fall at any moment.

Here is an opening in one of these panels. You can see that there is a steel shelf angle there and you can see on the bottom how much the brick panel has actually bulged out. That bottom brick panel should be flush with the top one. The space between the top of that brick and the shelf angle should be about half an inch. It is probably about two and a half to three inches.

The slide does not show it well, but this is an area where the bolts holding the shelf angle have to be resecured. They have rotted through and have to be replaced. The third balcony up shows the deterioration of the concrete. You can actually see right through it. Again, the corner has been eroded away. The front has eroded away. You can see the efflorescence on the bottom of the balcony. You can see the cracks just inside from the drip. You can see the sections where pieces have already fallen off and fallen down.

This is the removal of the top of a floor slab of an underground garage that had totally deteriorated and had to be completely replaced. The men have saw-cut it and then will pull it out with a crane. You can see on the bottom of this piece of concrete how badly deteriorated it actually is. This is concrete that has totally eroded away through wear and tear.

Here is an underground garage that has to be supported because the structural engineer felt it was deficient to the point that it could collapse. This is the underside that

shows the type of deterioration of water and salts and stuff eroding through the slab. More examples of the deterioration of the underside of an underground garage parking slab.

As you can see from the slides, the work we do is not cosmetic. It is of a structural nature, often done under the supervision of a professional engineer. The committee might also be asking: Could these repairs not have been avoided through proper maintenance? The answer is no. From the mid-1960s to the mid-1970s this province saw a dramatic increase in the number of structures built that were over six storeys in height. Many of these buildings form a large part of our existing affordable rental stock. At the time these buildings were built we were unaware of many of the forces causing these buildings to age and deteriorate. We somehow thought these monolithic structures of modern architecture were impervious to the elements. Unfortunately, they are not. They are in fact subject to tremendous forces. These forces include high winds and penetrating rains, frost/thaw cycles, the creep and shrink phenomenon and attack by an increasingly more aggressive environment.

Over the past 25 years, we have gained new knowledge about these forces, how to analyse what is happening, the repair methods and equipment that work and those that do not. This new knowledge of the forces that affect building structures has led to the creation of a new high-technology service industry that deals with these problems. Ontario is a world leader in this field, in engineering, product development and manufacturing and repair methods. Much of the knowledge gained to create this cutting-edge technology was developed while working on our rental housing.

Until recently, we were an expanding industry that had excellent growth potential even in these recessionary times, our market being the restoration of buildings that were built more than 10 years ago. We employ highly skilled, well-paid tradesmen in a labour-intensive industry that is using sophisticated and expensive equipment. Unlike new construction, which has high material costs, our work is labour-intensive; 70% to 80% of total job costs are our labour costs. Our average hourly pay rate, including apprentices, is \$23.87 an hour including benefits. Over four years ago, recognizing the evolving sophistication of our industry, management and labour set up and developed a four-year apprenticeship training program to better train the men and women who work in the restoration business.

The companies involved in our association have also made large expenditures in capital equipment to keep their operations efficient and cost-effective in a competitive marketplace. An example of these expenditures is the cost of one swing stage, a piece of suspended access equipment for two men to work on. The cost including motors, platform, beams, counterweights, ropes and cables is approximately \$20,000. This equipment also requires between \$2,000 and \$3,000 of maintenance work annually to ensure that it is in proper working order and running safely. Several companies in our association employ upwards of 50 men each, so you can see the type of expenditures they are

making for their suspended access equipment plus tools and other equipment.

These companies have made heavy financial commitments to this equipment on the assumption that the buildings deteriorating and needing restoration work would have the work done. The recent amendments of the rent review process have effectively closed the rental sector for business. Since the rental sector represents 52% of our business, it has the potential of seriously jeopardizing the financial stability of our companies. This is because of the commitments these companies have made in capital equipment.

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The result is that the companies will have to carry on in a reduced capacity. The real danger is not that the companies cannot survive operating in a reduced capacity, for they can, but that the companies will lose their highly skilled and highly valued tradesmen. The companies have spent a great deal of time and money training these tradesmen to do this very specialized form of work. These men have families and mortgages and cannot afford not to be working for a two-year rent review moratorium. Many will likely find employment elsewhere, because they are skilled tradesmen. The cost if these men are not put back to work is astronomical: the cost of retraining these lost workers, the cost of unemployment insurance, the cost of lost tax revenue, the potential cost of some of these men going on welfare.

At this time, I would like to turn the proceedings over to Mr Kinsella so that he may explain what a valuable resource we are potentially losing.

Mr Kinsella: I wish to thank this committee for the opportunity to present the concerns of the brothers and sisters of Local 172, restoration steeplejacks, chartered in 1966 as high-rises became the norm in urban centres; the eventual repair work to these tall buildings and the recognition that these people working 200, 300 and 400 feet above the ground needed to be organized, formed the basis of the beginning of Local 172.

While the underlying principle of the government's moratorium and review of rent controls is justified, we believe the application of these restrictive policies on such a broad base has created ramifications not considered. Approximately 80% of restoration work is in high-rise residential, of which 40% to 50% is on rental units. Not to make a distinction between unnecessary renovation and justified restoration has placed the structural integrity of buildings at risk, thus the safety of tenants and the general public.

Because restoration work is essential and therefore ongoing, during recessionary times our trade has not experienced downturns. During the present recession, the restoration trade was the one light at the end of the tunnel for the construction industry.

Because of the advancements in research and development of materials and methods over the past decade, the restoration trade is experiencing year-round employment. One year ago our employers actually increased their

workforces. January historically has always been a month of winter layoffs.

Because of this trend towards a more constant work environment within the trade, we have developed a more dedicated, long-term, highly skilled, experienced and better paid workforce. People are looking to the restoration industry as a lifelong trade. Local 172 and the Steeplejack and Masonry Restoration Contractors Association recognize the need for an ongoing training program to keep abreast of the quick-paced technical advancements taking place in the industry. Therefore, in 1986, a labour-management committee was formed to outline and enact a four-year apprenticeship program.

Our tradespeople must be capable of rigging suspended access equipment, setting up stationary scaffolding, sandblasting, cleaning, waterproofing, caulking, pulling and joining, grouting, repairing masonry, concrete, stone, granite and marble. They also receive workplace hazardous materials information system training, first aid, cardiopulmonary courses and advanced safety courses.

Because the restoration industry has grown so quickly in the past few years, there is a large non-union sector. Local 172 has identified these companies and had an active organizing campaign in place.

The short-term concerns of Local 172 regarding the recent legislation are as follows.

Unemployment: On 1 December 1990, Local 172 had a 3.2% unemployment rate. As of Monday 14 January 1991, we were experiencing an unemployment rate of 60%. This represents an increase in unemployment of 1,875% in less than two months. This is all related to job-site shutdowns or cancellations, and I expect the unemployment rate in the restoration sector to soar to 85% by the end of January. In addition to these already staggering unemployment figures, there is a ripple effect even within Local 172. The related industrial sector of Local 172, companies that manufacture and rent suspended access equipment, have traditionally never had layoffs. In the past week, for the first time the industrial sector went from zero unemployment to 7%. These layoffs were directly related to lost jobs in the restoration sector. More layoffs are expected in the industrial sector. Because both the restoration and industrial sectors are skilled tradespeople with families to support and rents and mortgages to pay, a layoff beyond March of this year could see these valued workers lost to the industry for ever.

Financial: A reduced workforce puts a financial burden on the local, while a lost workforce threatens the local's viability. Programs and activities will have to be reduced and/or cut entirely.

Apprenticeship program: Due to the lack of funding, major sections of the program would have to be eliminated.

Organizing: Local 172 had to put its organizing efforts on hold, thus losing the momentum and cost of the campaign to this point.

Safety: Because of these cancelled contracts, the structural integrity of some of the buildings is at risk, thus creating a safety hazard.

Research and development: Ontario's temperate location has made it ideal for research and development of materials and procedures. Manufacturers and suppliers will feel the ripple effect of unemployment and lack of contracts in the restoration sector. Ontario could lose the research and development for which this industry has become world renowned.

Although the short-term effects the recent legislation has had on Local 172 and its membership have been costly, the long-term effects would be disastrous.

At this point, I would like to turn the proceedings back over to Mr MacKendrick.

Mr MacKendrick: Due to these amendments to the rent review process, members from our association have had 15 projects stopped, cancelled or put on hold indefinitely. This has meant the permanent layoff of 60 men. Employment from the companies in our association on 17 January 1991 is only 36% of what it was on 17 January 1990, and this represents only the work carried over from 1990.

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This is only the beginning of 1991 and not all the work done this year would have been tendered, but already members from our association know of \$9.98 million worth of work in the rental sector which had been scheduled and is now cancelled. This \$9.98 million translated into human terms represents 206,000 lost man-hours of work, 5,150 lost man-weeks of work, 103 lost man-years of work, and today is only 17 January, less than two months since these amendments have come into effect.

Another very important point that must be put into perspective is the fact that our association and Local 172 are only a very small component of the restoration sector. We represent only 10% to 15% of the restoration work that is going on in the greater Metropolitan Toronto area. The lost jobs we are talking about here are highly skilled, well-paid jobs in a labour-intensive service industry that simply do not have to be lost. There are hundreds of buildings in the province of Ontario that require major restoration work.

When I think about these lost jobs, I reflect upon what Premier Bob Rae said on 11 January while addressing the Financial Services Institute: "Everybody, including the financial institutions, must understand that jobs are important." The Premier said, and I am paraphrasing here, that the government of Ontario was not going to stand by and allow jobs to be lost during the recession, even if that meant a higher deficit. He later went on to say that he expected the financial institutions to pull together with government in saving jobs, "play an effective role...in fighting the recession."

He also said, "and I am stressing the importance of partnership." I would also like to stress the importance of partnership.

We have to work together and find a way to put these men back to work. Whether this means by allowing the landlords to capitalize the costs of structural restoration work through the rent review process or some form of tax credit or a type of granting process, it matters not to us

how this is worked out, but it is absolutely imperative that we work in partnership to find a solution so that we may put these skilled tradesmen back to work without delay.

Mr Mammoliti: My first question is addressed to Mr Kinsella. Are you the president of the local union?

Mr Kinsella: No, I am the business manager and financial secretary.

Mr Mammoliti: It is nice to see that labour and management are working together, even though it is a negative situation. It is unfortunate. I wish that labour and management could work together this way at all times. I too come from the labour movement. I was the president of a local union for six years prior to the election.

I would like to ask you whether or not you have a COLA clause in your collective agreement.

Mr Kinsella: No, we do not.

Mr Mammoliti: Have you ever tried to negotiate a COLA clause?

Mr Kinsella: No, we have not. I am not sure of the total history of the negotiations because I was only on two negotiation teams prior to my taking over this position and that was just prior to the last round of negotiations, so it has only been the last six months.

Mr Mammoliti: Then I will get to my point. Most of the unions in Ontario have tried to negotiate a COLA clause and have been successful for the most part; a lot of them have not. There is a reason for that. We in the labour movement think it is important for a cost-of-living increase, whenever there is a cost-of-living increase. I just cannot see, myself, why tenants are forced to pay double, if not triple, the cost of living in their rents, and that is happening.

What would you have to say about that, being the representative of all these workers and wanting to be fair to the workers? What would you say to me when I ask you, what is fair for the tenants? Should they have to pay this rent?

Mr Kinsella: I would say half of our members are in rental units, the other half of course own their own homes. I am just guessing at that, but it seems to be reasonable.

It has been discussed among the membership just in the most recent past since this amendment has gone through, which of course they have a different light on. To address your question in a broader sense, no, we were not, from our standpoint, even considering where the funding was for what we consider very serious repairs to the high-rises until of course this issue came up. So there has been a lot of discussion.

We feel tenants should not have to bear the burden of the total cost. Unfortunately, society has demanded these high-rises and it has only been within the last 10 years that we have really recognized the causal effects of the deterioration of these high-rises. Just as I am sure everyone here is aware of the deterioration in our road system, our bridges, and the prime example of course is the Gardiner Expressway, in some cases it would be cheaper just to bring the whole works down and start over

again, but unfortunately we are stuck with the repair. The costs have to come from somewhere.

We are not financial experts, but it has been tossed around that part of the cost could be absorbed by tenants beyond the recognized 4.6%, 5.4% increases, it is not for us to say where, but with a cap, and that could be shared along with the provincial tax credits or grants. These were just things that were tossed around among us. Directly our brothers and sisters have said, "I would rather be out there working and pay an increase than sitting at home wondering where my next rent is going to come from." It is really not a win-win situation that they are in right now.

The general consensus is, because society has demanded these types of structures, perhaps society should share in the cost of repair to these structures. I hope that answers your question.

Ms M. Ward: Can you tell me how many people are employed in your industry?

Mr MacKendrick: In our industry or our association?

Ms M. Ward: Could you give me an idea of both? I realize you might be guessing as to the non-union.

Mr MacKendrick: Members in our association probably employ, peak times, probably about 150 to 175 people. I would estimate there are probably at least 10 times that involved in other related restoration work. That really does not include the underground garages, where we do not do a lot of work. We do some minor work but most of our work is done on the exterior, on the sides of buildings. Traditionally, we were steeplejacks, as the name indicates.

Ms M. Ward: So the 10 times would include how many other types of restoration work?

Mr MacKendrick: It is the same companies. They are just not in our association. We bid against these companies, but for one reason or another they are not in our association.

Ms M. Ward: Mainly involved in the structural repairs.

Mr MacKendrick: That is right.

Ms M. Ward: You said you do not work in the garages.

Mr MacKendrick: We do not do a lot of work in garages. We do some work.

Ms M. Ward: I wondered whether there was any self-governing of the quality of work that is done, aside from any municipal requirement.

Mr MacKendrick: What happens to a lot of the work, whether it is either condominiums—and we do work on condominiums as well as rental—the owners usually have a professional engineer come in and do an investigation of the situation. They then propose a scope of work. They then put a tender document and tender the work. The work is awarded to a contractor. That work is then supervised. They then come in and determine what is taken out, what is removed. They then approve that it has been properly removed, that all the deteriorated concrete or brickwork has been removed. We then do the repair work. They then approve that it has been done according to the

specifications in a proper manner and they are using the Ontario Building Code and things like that.

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Ms M. Ward: That is that original engineer.

Mr MacKendrick: That is the original engineer who would go through the whole process.

Ms M. Ward: Okay. The reason I ask that is because I have heard stories of garages being repaired and then being repaired again and again and it has not been successful.

Mr MacKendrick: Part of that in the beginning of the industry was, it is a new technology. A lot of these things we did not understand. We did not understand what salts would do to the structures. Okay?

Mr Duignan: Given that the present Liberal legislation allowed pass-throughs only when there was ongoing and deliberate neglect and since only 15% of landlords applied for increases above the allowable limit, did you feel that the present layoffs and work not followed through right now is a political ploy on behalf of the large landlords?

Ms Poole: On a point of order: I wish Mr Duignan would just explain that first statistic, which I have never heard of in my life, about ongoing, deliberate neglect being the only thing allowed to be passed through the rent review, which constitutes 15% of the cases.

Mrs Y. O'Neill: I have the same question. I would like an answer from the ministry on that, because that is not what was said yesterday.

The Chair: I am not sure if it is a point of order.

Mr Mammoliti: I am not sure if that is a point of order, Mr Chairman.

The Chair: It is certainly a point of information. I will add the time back to Mr Duignan. Up until now, when there has been concern over statistics and/or very specific policy matters, I have allowed ministry staff to come forward to offer whatever information they have. I have been very tight with the time. I will continue to be. I am not going to allow this discussion to go on for any long period of time. We will allow that one question to be answered and then I am going to allow Mr Duignan to finish.

Mr Duignan: Since this legislation allowed pass-throughs only when—

The Chair: Excuse me. I was going to allow ministry staff to give us some information. Then I will turn it right back to you, sir.

Mr Harcourt: Sorry. Could you repeat the question about ongoing, deliberate neglect?

Mr Duignan: Since the present Liberal legislation allowed pass-throughs only when there was not ongoing, deliberate neglect—

Mr Harcourt: Only when there was not ongoing and deliberate neglect.

Mr Duignan: When there was not ongoing and deliberate neglect.

Ms Poole: It is the "not" that I do not believe was there the first time.

Mr Harcourt: Okay. That is correct. There was pass-through allowed except in situations where ongoing, deliberate neglect was found, so you are correct.

The Chair: You have got 30 seconds.

Mr Duignan: Since that is the case, do you believe the present layoffs are a political ploy on behalf of the large landlords to kill Bill 4 or radically alter it?

Mr MacKendrick: I cannot really say. All I know is that we had jobs that have been cancelled or lost. I think that is for other people to determine whether they are political ploys. The reason we are here is that we have lost a lot of jobs and we have to put men off. I had men I thought I would have working through the winter period. I had told them that. The legislation was announced; the next day we get a phone call, that job is cancelled and I lose work for 12 men. I cannot say. That is something that somebody else—

The Chair: Thank you very much.

Mr Mammoliti: Point of privilege, Mr Chairman: I would just like perhaps if you would let us know who wants to speak, on our particular side anyway, so that we can determine how many questions we would like to ask.

The Chair: I usually do rattle off the names.

Mr Mammoliti: Just for my own benefit, that is all.

The Chair: I certainly will continue to do so.

Ms Poole: I would like to thank you very much for your presentation today. You have very graphically illustrated some of the problems that you perceive in the bill and what it will do to your industry.

First of all, Mr MacKendrick, there was a statement in your brief about whether these repairs could have been avoided if there had been proper maintenance. We have heard at least two presentations by tenant associations where they have claimed this is the case, and in your brief you emphatically have stated that in the work you are referring to, deteriorating brickwork, masonry, corroded underground parking garages and rusted-out balconies, that proper maintenance would not have cured the problem, that at some stage the weather, the conditions of our Canadian winters, and just the aging process would have meant these things have to be replaced and retrofitted. Would you please comment on that?

Mr MacKendrick: A lot of the work that we do is part of an aging process. These structures absorb water. The water goes in because of our climate. We get a lot of temperatures where it goes above freezing on a day like today; it may go below at night. The moisture in the wall systems freezes, it expands, it puts tremendous force there.

There is an ongoing aging process, the creep-shrink phenomenon, that was not recognized when a lot of these buildings were built. There have been remedies to rectify that in new structures, but we did not know about it. It has created a series of problems within the industry that were new and developed and are part of the new technology.

If I can make an analogy, it is like your car. Your muffler eventually just wears out and there has to be work done on these structures. They are not impervious to the

elements. They absorb water. There are tremendous wind forces ongoing there.

Ms Poole: One further question along that particular line. Mr Mammoliti and I had an interesting in-camera or out-of-camera debate yesterday when we talked about underground parking garages. Mr Mammoliti was of the strong opinion that with proper maintenance they would not have to be retrofitted and this major work would not have to be done.

My understanding is that when these parking garages were done 20, 25 years ago the technology was such that it did not protect against rusting of the reinforcement bars that are in the concrete, and that no matter how many times the landlord waterproofed the sides of the garage or anything else, eventually this corrosion from salt, moisture and everything else would get to a stage where massive expenditures would have to be made. Would you comment on that?

Mr MacKendrick: That would be true of structures built today. In something that is built today, we know how to defend against that sort of attack. It was not true of the things that were built 20 or 25 years ago. One of the big problems is the latency of salts in the structures now that have an ongoing effect. The problem is they are in there now, we did not know about it, and there is not much we can do. We have to deal with sort of a containment issue dealing with the problems there. That is one of the ongoing problems. A lot of engineers will do tests to test how much salt is actually in the concrete.

Ms Poole: Since almost two thirds of our housing stock was built prior to 1970, many of the buildings are in this situation.

Mr MacKendrick: Yes. That is why you are seeing a real sort of explosion of the type of work that has to go on, because there is a real thing that happens at 20 years to a building in terms of the type of work that needs to go on, and it is not just the rental stock but it is the office buildings, it is the condominiums, it is all the structures that were built 20 years ago. They are having to undergo major restoration. I do not think there is a large structure in this province of that age that will not have to go through some sort of major restoration project, both on the walls and the underground garage.

Mr Mammoliti: On a point of order, Mr Chairman: I am not too sure about whether somebody can bring up a private discussion at these hearings. If so, I should have a chance to say something, I would think.

The Chair: I believe you are correct.

Ms Poole: Not out of my time.

The Chair: I will give you back your time. If you would like to make a comment on that, I will allow it, not in the form of a question but in the form of a rebuttal.

Mr Mammoliti: We did have the discussion and I referred to the delay of corrosion and what preventive maintenance could do to delay the corrosion. We brought up waterproofing and that sort of thing. My discussion also touched on the neglect of landlords by perhaps not using calcium as opposed to salt on their driveways to prevent

this from happening. I think that should be pointed out as well in the question, and that was not pointed out. I think it should be.

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The Chair: Thank you very much. Ms Poole, please continue.

Ms Poole: I guess if people only drove in landlords' driveways, then maybe the calcium would help, but we will also have to look at the other roads.

I would like to ask a question of Mr Kinsella. You mentioned in your brief that unemployment in your sector went from 3.2% on 1 December 1990 to 60% on 14 January 1991, less than a two-month period. What percentage of this would you attribute to a downturn in the economy and what percentage was a direct result of Bill 4?

Mr Kinsella: I think in my discussions with Mr MacKendrick we arrived at a figure of 60 people directly as a result of the new legislation, so the balance would be either due to seasonal or the downturn. In the past few years we have not experienced a high unemployment rate, even through the winter months, except when it is extremely cold or the conditions are not conducive to work with concrete or concrete products.

We have traditionally, because of recessionary times, even back in the early 1980s, had an ongoing employment rate, other than weather causes, because people tend to turn towards fixing what they have, rather than turning and trying to invest in something new when the economy turns down. So the rate of unemployment, I would expect, in a normal winter would be running between 15% and 20%. I guess that would be the difference and I am expecting by the end of the month that it would be around 80% to 85%. So around 60% would be attributed to cancelled work in the rental.

Ms Poole: As a member of the union movement, which traditionally has been perceived to be quite close to the NDP, you are saying that you could not support this piece of NDP legislation?

Mr Kinsella: No, I am not saying that because—

Mr Mammoliti: On a point of order, Mr Chairman: I have a problem with that statement, "perceived to be" supporters of the NDP. What kind of a statement is that for this kind of a hearing? The question should be—

Interjections.

Mr Mammoliti: Come on. Be realistic.

Mrs Y. O'Neill: You just it said yourself.

Mr Mammoliti: At what time did I or anybody else on this side of the committee refer to landlords as supporters of Liberals or the Conservative Party? Let's have the same respect, please.

The Chair: That was not a point of order.

Mrs Y. O'Neill: I think I have a moment to make a remark.

The Chair: Yes, I am keeping track of if very carefully.

Mrs Y. O'Neill: Mr Chairman, I would like then to say to these gentlemen, I know of what you speak, because there is a major building in my constituency that has this

problem and has had your service. The thing I think that is most important about your presentation is the job loss, but what it is going to do for the tenants in the buildings, and you say most of your work is residential, is that it is going to create unsafe buildings. That bothers me. Your work is connected with safety. It is structural safety and it cannot be neglected. I find that this presentation does not emphasize that even as much as I wished it would. I think yours is an essential service. They are essential repairs. They have absolutely nothing to do with frivolity or luxury, although they are very expensive. But they have to be done because it is certainly much more expensive to build new stock. That is all I have to say.

Mr Turnbull: Mr Kinsella, Mr MacKendrick said that the renovations that you do are not of a luxury nature. Is that correct?

Mr Kinsella: We do not do renovations. We do restoration. There is a distinction.

Mr Turnbull: Yes, surely. Is it correct what he said, that there is a safety factor if these are not done?

Mr Kinsella: Yes, there is. As the slides had shown, there are brick panels which are dropping away from the buildings for various reasons. It is mostly due to weather, etc. But if those were ignored, and in some cases it has happened, those brick panels drop to the ground and it is just a matter of luck, I suppose, if someone is not underneath.

Mr Turnbull: I think I know what your answer to this will be, but I will ask it anyway. Is it reasonable to say that you do not do any sloppy jobs, that you do a proper job when your workers do jobs?

Mr Kinsella: We do very good work. There has been a question that came up as to repairs that have had to be done over and over again, but that was pre-early 1980s. There was never really much research done into the materials used, etc. Now that research has been ongoing for approximately 10 years now and the work being done under engineering supervision, they tell us how to do it, we do it, they check it and the materials being used now—

Mr Turnbull: Thank you. Is it your experience that landlords are quite demanding and want to see a good job done?

Mr Kinsella: I would turn that over to Mr MacKendrick because I do not deal directly with landlords.

Mr MacKendrick: If we do not do the job properly, we do not get paid. What often happens is the engineer will certify that the work has been done properly and only then do we get paid.

Mr Turnbull: Mr MacKendrick, would it be your experience that sometimes when you are dealing with a building which is, say, 30 years old, the kind of restorative work that you do could cost 50% of what the building originally cost to build?

Mr MacKendrick: I do not really know what the buildings originally cost, but I can tell you that it is not unusual for projects to cost between \$500,000 and \$1 million. I would consider that a medium-size job, and a large restoration job is a job that is over \$1 million.

Mr Turnbull: That is precisely my point, that in fact it is costing typically in some cases 50% of what the building originally cost. Is it good value? I mean, once you have done this, is it still cheaper than knocking the building down and rebuilding it?

Mr MacKendrick: Absolutely. The other thing that makes the cost so high is we are dealing with existing structures and we have to maintain public access, public safety. One of our biggest problems is we have to undo what has been done, that is, half our cost with our labour is to undo before we can actually even do the repair. We have to remove whatever has been destroyed and make it good and then build back up. That is part of why it is costly. It is also difficult working 20 or 30 floors up in the air.

Mr Turnbull: Mr Kinsella, it has been suggested in these hearings that the workers who have demonstrated outside of Queen's Park were in some way put up to this by their employers under the suggestion that they will not have a job unless they go and do those things. Is that true?

Mr Kinsella: I am not aware of it. I can only speak for our local. Our men did not go down. We are non-political and non-controversial because we belong to the Canadian Federation of Labour. We take that stand. My men were not there. I cannot speak for the non-union sector or any other groups.

Mr Turnbull: You mentioned a suggestion that you feel that probably the cost of restoration needs to be borne a little bit by society. Could you expand on that?

Mr Kinsella: It was during some discussions as to how we could solve the financial problems in structural repair. The comment was made, "Who has been demanding these high-rises over the last 30 or 40 years?" and it is the public. Unfortunately, we were stuck with technology that 20 years ago they thought was very advanced, but 20 years of wear and tear has shown that it is not.

Even at this point, the discussion went on to say, with the technology we are using today, what will we see 20 years down the road? When you start going that high above the ground naturally—in the beginning, it was a new form of construction. Since society demanded that, the same as our roads and other sectors that society as a whole seems to have wanted, it was just our ideas and tossing them around, that "Why should the individual tenants bear the full burden?" because tenants naturally rotate and eventually become home owners.

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Mr Turnbull: Mr Kinsella, that is an extremely good point, I think, to the extent that if landlords sell their properties, and maybe we need to put some restrictions on how often they can do that, but if they sell their properties, typically they will pay 50% of the gain in taxes to the government which is funding society. I absolutely agree with your suggestion. Thank you very much. It was a good presentation.

Mr Mammoliti: On a point of information, Mr Chairman: Mr Turnbull suggested that somebody in these hearings had suggested that employees—

Mrs Y. O'Neill: That was this morning when you were not here.

Mr Mammoliti: Was it? Who suggested that, just for my own information?

Mr Turnbull: The Minister of Housing when he was asked in the House—do you remember?—way back in December.

Mr Mammoliti: You said in these hearings. Your statement was in these hearings.

Mr Turnbull: It was also mentioned in the hearings.

Mrs Y. O'Neill: I do not know which brief, but one of the briefs this morning said that.

Mr Mammoliti: Can I find out who said that somehow?

Mrs Y. O'Neill: I think it was the group for tenant advocacy, but I cannot find the reference right now. Maybe Hansard could help us.

The Chair: Is there anyone at Hansard who can review the records for us?

Mr Turnbull: Mr Mammoliti, what is the point? Perhaps I can help you.

Mr Mammoliti: The point is that you said that somebody in these hearings has said that and I would like to know who. I was not here this morning and—

Mr Turnbull: It was a reference made this morning. I am not aware of it, but I would point out the fact—

Mr Mammoliti: If you are not aware of it, why would you say that?

Mr Turnbull: —that the Minister of Housing when asked in the House—

The Chair: Order. I want to thank the presenters for coming before us today. I believe your presentation was well organized and caught the attention of the committee.

ASSOCIATION FOR FURTHERING ONTARIO'S RENTAL DEVELOPMENT

The Chair: The next organization coming before the committee this afternoon is the Association for Furthering Ontario's Rental Development. Mr Every, I believe that you were here earlier on this afternoon so you are familiar with the procedure.

Mr Every: A little bit. I really just arrived about 10 minutes ago.

The Chair: I thought I had seen you a few minutes ago. Your organization has been allotted 40 minutes, 20 of which will be a presentation by you, sir, if you wish to use up to 20 minutes. The remaining 20 minutes will be divided by the committee for questions and answers. The only thing that I would ask for the record is that you identify yourself and the organization that you represent and then you have the floor.

Mr Every: My name is Allen Every and I represent the Association for Furthering Ontario's Rental Development.

Mr Chairman, ladies and gentlemen, our organization, AFFORD, is a housing advocacy group. Our members are landlords, members of the construction industry,

manufacturers and other suppliers to the rental housing market in Ontario.

Our brief is a very simple one. We suggest that there are six key objectives for Ontario's rental housing market that all of us can share. We can all agree, I believe, that we should be working together to accomplish the following: (1) an adequate supply of rental housing at all price levels, (2) keeping Ontario's aging rental housing stock in good and usable condition, (3) a rental housing market that is fair to all, (4) reasonable and realistic access to clean and safe rental housing for those in financial need, (5) the cost-effective use of taxpayers' money.

Finally, we can all agree that landlords and tenants should work more positively and co-operatively together than they have in the past because both have direct and legitimate interests and concerns that must be addressed if we are to find fair and effective solutions.

We all know the two most significant changes that Bill 4 makes in Ontario's rent review system.

First, Bill 4 eliminates the major repair basis for rental increases over and above the inflationary increase of 5.4% annually. It cancels the provision that permitted landlords to apply for increases phased in over the useful life of the expenditure for major repairs to rental buildings.

Second, Bill 4 eliminates the provision for rental increases over and above the basic inflationary increase in cases where the building is losing money. The bill cancels the provision that permitted landlords who could prove that they were losing money to apply for gradual increases limited to a maximum of 5% annually until the buildings reached the break-even point.

What impact will these two changes have on the objectives we share for rental housing in Ontario? Will Bill 4 add a single new rental unit to the supply available to renters in Ontario? It will not. Bill 4 will not work to add extra rental units. Bill 4 has already led to a collapse of private sector investment in rental housing in Ontario.

We also ask members to consider: Will Bill 4 contribute to our second goal, keeping Ontario's aging rental housing stock in good and usable condition? The answer to that question is obvious. It is no. We ask the committee and the government to look at some basic facts.

The first fact is that Ontario's rental housing stock is aging. Eighty per cent of the apartments in the province are more than 20 years old. The second fact is that the rent control systems we have had since 1975 have limited the amount of money landlords have available for reinvestment in their buildings. Rent review permitted annual basic or guideline rent increases of about 5% annually which were never intended to cover the cost of major repairs. Where major repairs were needed, landlords were permitted to apply for additional increases to recover the costs of the repairs over a number of years.

Let me stress that the guideline rent increase permitted under rent review was never intended to cover the cost of major repairs. That is why the rent review system included the major repair provisions. By removing the financial basis for major repairs to apartment buildings, Bill 4 will contribute to continued and accelerating deterioration in

rental housing across Ontario. In the long term, Bill 4 is a recipe for US-style slums in Ontario.

Our brief also addresses the issue of fairness. We once again ask that the members of this committee and of the government look at the facts. The Premier and his colleagues have dined out on speeches about rental increases, and I am quoting, of 100% and more, as though that is the norm in Ontario and commonplace. They have suggested that our rental housing market is rife with abuse. These charges just are not true. The government knows or should know that they are not true. Let's look at the facts.

The average additional increase from applications arising from major repairs, for example, has been less than 3%. Let's look at a typical example: a 200-suite building that needed a roof. The landlord got three quotes. The lowest bid was \$150,000. He spent the money and had the roof replaced. Then he applied to rent review for an increase to permit the cost of the new roof to be recovered over a number of years. If rent review approved the increase, and that was far from automatic, the increase would be about \$9.32 per month per apartment. The landlord's costs would be recovered over 15 years and the building would have the new roof it needed. That is a typical example of how the current system, the system that Bill 4 would scrap, works in Ontario.

But what about Mr Rae's charges that rent increases of more than 100% are normal in Ontario? According to the Ministry of Housing's own statistics, a total of 154 rental suites in Ontario, that is, one out of every 13,000 apartments, experienced rent increases in excess of 100% in the 22 months ending last October. Is it logical or sensible to disrupt the system that covers 1.2 million apartment units because of those 154 rent increases? We leave it to you to answer that question.

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But it is worth noting that when Mr Rae made his statements alleging widespread increases of 100% or more, it was during the election. It may well be that in the heat of the campaign he and his advisers had no time to check the numbers and were honestly mistaken, but the Minister of Housing has chosen to repeat these statements as recently as yesterday. That tells you more about the minister's willingness to disregard facts than it does about the rental housing market in Ontario.

If the government has concerns about the 154 units whose rent did go up by more than 100%, the proper course would be to investigate the individual cases. If there are abuses, enforce the existing laws of Ontario to correct them. Others who have appeared here have suggested other remedies, including establishing a reasonable cap to limit rent increases in any one year. That suggestion, we believe, is certainly worth considering. But for the rental housing market as a whole in Ontario there is no evidence of widespread unfairness. There is certainly no evidence of abuse on a scale that could be said to justify the draconian measures the NDP will impose through Bill 4. Bill 4 is unnecessary and Bill 4 will not work to make the market fairer.

The next shared goal that we discuss in our brief is ensuring reasonable access to rental housing for those in

financial need. NDP rhetoric aside, Bill 4 fails any reasonable test. The vast majority of any savings Bill 4 produces, like the vast majority of savings generated by rent control in total, will accrue, not to those in need, but to middle- and upper-income tenants. The CMHC reports that more than half of all rental units in Ontario are occupied by middle-income people. Because they occupy the higher quality and more expensive units, their savings from any government-imposed control on rents are greater in dollar terms than those enjoyed by lower-income renters. Most renters are not poor. CMHC reports that the average Ontario renter spends only 18% of gross income on shelter costs.

In our brief we call for effective help for those renters who are in real financial need. The way to help these individuals is not to impose new restrictions on the rental housing market as a whole in Ontario. Their problem is not a rent problem specifically. It is an income problem. The way to help those citizens is to provide them with more generous social assistance, including rent subsidies where that is deemed useful, and enhanced training and employment opportunities. Bill 4 does not address that fundamental income problem and so Bill 4 will not work to achieve real improvements in the situations of those with the lowest incomes in Ontario.

What of the bill's impact on government spending? Bill 4 will not work to provide real value for the taxpayer's dollar. Today in Ontario about 85 per cent of all rental housing is provided by the private sector, by Ontario's 100,000 landlords. The cost to the taxpayer for these suites is virtually nil. The cost to the taxpayer for the additional private apartments that could be built in this province would also be virtually nil. The only alternative is more public housing or more co-operative housing, at a capital cost to the taxpayer of approximately \$140,000 a unit, to be followed by more thousands every month in subsidies and operating costs. The government spending for housing in Ontario is already in the \$1-billion range. The deficit is approaching \$3 billion. The government says it wants to build an additional 20,000 units a year for five years. That alone would add an extra \$2 billion to the deficit by 1995. There is just not enough money in the government's coffers to provide public housing or co-op housing solutions to all who need them. And so, by picking these high-cost alternatives, government is in effect choosing to favour one group over another. A few thousand get housing, but far more get access to nothing more than a spot on waiting lists.

The housing needs of the people of Ontario can only be met by a combination of effective government action and by private sector investment to build the housing units our people need. If we can agree that making cost-effective use of the taxpayer's money is one of the goals we share, the answer is to encourage more, not less, private investment to provide more, not less, private rental housing.

AFFORD also believes it is important to encourage more co-operation and partnership between landlords and renters, but everything about Bill 4 presents landlords and renters as adversaries and landlords and government as enemies. Our best hope in Ontario is to work together and

find solutions to the housing needs and challenges that face us. Bill 4 rejects and abandons that hope.

Our brief also includes a quick view of the historical context. Up until 1975, the year rent controls were introduced, there were always more private apartment units than government units built in Ontario: twice as many in some years, three times as many in some, five times as many in others. When rent controls were introduced, the number of private units being constructed each year plummeted from an average of about 27,000 units a year over the six years from 1969 to 1974, to an average of just over 6,000 units a year over the six years from 1975 to 1980. Over that same period, the number of government units constructed remained about the same each year. The result was the rental housing shortage that affected the province throughout the 1980s. Like it or not, the evidence is inescapable. The imposition of rent controls led to a collapse of private investment into rental housing, a collapse that resulted in an acute rental housing shortage.

By the three years from 1984 to 1987, private sector investment in new apartments had fallen to an average of only 3,600 units per year despite the fact that vacancy rates were below 1%. This was the situation in Ontario when the current rent review rules, the ones the NDP is determined to scrap, were agreed upon by a committee of landlords and tenants working together. As I have explained, these new rules did not result in soaring rents. They did result in rent stability plus very significant investments to repair and preserve Ontario's aging rental stock. With these new and more realistic rules in place, private sector investment began to recover, not to pre-rent-control levels, but to levels significantly above those of 1984, 1985 and 1986.

Over the three years from 1987 to 1989, the average number of new units being built in Ontario was almost 6,900, about double the rate of the previous three years. This was still far below the level of investment needed to ensure an adequate supply of rental housing and effective competition in the rental market. It was far below the level that had prevailed prior to rent controls in Ontario, but private investment in rental housing was recovering. If that recovery were prevented from continuing, the apartments built by the private sector would cost the taxpayers of this province nothing, but the cost to build a public housing unit or co-op housing unit instead would be \$140,000 plus more subsidies and more thousands every month for management and operating costs. Those monthly costs will increase for ever and the taxpayer will pick up the entire tab. In the climate created by Bill 4, that will be the only option available, because the private sector will not invest in new apartment buildings. Cancelling the operating loss provision alone, by its attack on the long-term asset value and saleability of apartment buildings in Ontario, would drive out investment and the serious long-term investors would be the first to go.

We are not trying to scare you, we are simply reporting the facts about the rational business and investment decisions that our members and other investors throughout Ontario will make if Bill 4 becomes law as it stands.

The government action that drives out investment in the rental housing industry will drive out investment in

other industries as well. This government is under a microscope. The business community here and the investment community internationally are watching carefully. The punitive and ill-considered actions in Bill 4 will undermine investor confidence, not just in our \$70-billion industry, but in every other industry that provides the employment and the goods and services the people of Ontario need and want. As I have said, government cannot afford to replace the private apartments that will not be built because of Bill 4. It would cost too much. It would make it impossible for the government to pursue any of its other goals. There would be no money for child care; it will have been spent on public housing. There would be no money for social allowance reform; it will have been spent on public housing. There will be little money to begin to respond to the needs of Ontario's native people; it too will have been spent on public and co-op housing for a privileged few.

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There is one other aspect of the Bill 4 exercise that we deal with in our brief. The government's entire approach to this bill has been marked by vindictiveness towards the men and women who own rental units. We have heard that landlords are all greedy and evil, that we all disregard the law, that we are intent on gouging, that we have no concern for our renters, for the poor, for the welfare of the community as a whole and that we deserve no consideration or respect from government or anyone else in the community.

That is the message that is implicit in the decision to make these changes retroactive not simply to 1 October 1990, but in reality retroactive for months or years in many cases. By making the changes retroactive, the minister is saying that government in Ontario is under no obligation to tell the truth in its dealings with landlords. The minister is saying that government is free to break its word and change the rules after the game has been played. We believe that to be illegal and hope that this will be demonstrated in the courts.

When government feels free to break its word, and when political leaders feel free, as the Minister of Housing feels free in his dealings with landlords in Ontario, to scapegoat and abuse groups within the community, moral authority and ability to lead, that influence is lost. No group in our society is without a few whose ethics leave something to be desired, but we would not suggest that because one politician abuses the labour laws of this province all politicians should be assumed guilty. Because one politician finds himself in trouble with the governing body of his chosen profession, that does not mean all politicians are careless.

Our members are willing and anxious to work co-operatively with the government, but we cannot work with this Minister of Housing. We would ask that he be replaced by a person who is prepared to look at the facts, who is prepared to respect the laws of this province and the undertakings the government makes. Ontario deserves a Minister of Housing who is prepared and able to deal with us, and with any other group in the community, honestly and with the courtesy and respect that any citizen of Ontario has a right to expect from his or her government.

We do propose an alternative course of action for the government in our brief. It begins with the decision to withdraw Bill 4 and a firm commitment from the government that any changes made in the future will not be retroactive. We call for real consultation. We do not consider the three-weeks-now and three-weeks-later sittings the government has planned for this committee to be real consultation.

The members of this committee know that the so-called green paper that the government pretends will come out of these deliberations has already been written. You know that the minister and his friends have already made up their minds. We have an opportunity to build a new partnership involving government, landlords, renters and the community as a whole to seek creative solutions to the housing needs and challenges that face us. Instead, the minister is choosing to build a sort of Berlin wall between landlords and renters and between government and those who invest in rental housing in Ontario.

Our members want to work in partnership with government and renters to find creative solutions to Ontario's housing needs and challenges. We want to build new apartments in Ontario, and we are prepared to co-operate in creating the climate and conditions that would make that possible.

Despite what the Minister of Housing says, the rental housing industry in this province has served the people of Ontario well. We have provided the more than one million rental units the people of this province need at no cost to the taxpayer. Despite 15 years of rent controls and over-regulation, we have maintained the vast majority of the rental housing stock in good and livable condition. We have charged fair rents. The average rent in Ontario is about \$600 a month and that rental is increasing more slowly than inflation or taxes.

Mrs Y. O'Neill: Before I begin my questioning of Mr Every, I would like to bring the committee's attention to the question asked by Mr Mammoliti.

The Chair: Is that on Mr Mammoliti's point of order earlier?

Mrs Y. O'Neill: Yes.

The Chair: I will stop the clock then.

Mrs Y. O'Neill: The reference is on page 12 of the presentation by the Tenant Advocacy Group.

Mr Mammoliti: It was a point of information. It was not a point of order.

Mrs Y. O'Neill: I am sorry; whatever your question was, that is where the answer is. The statement is made, "Several hundred employed and unemployed workers joined landlords in a well-orchestrated demonstration at Queen's Park to show their opposition to Bill 4." I have a question for Mr Every. I am sorry that a person who has so many tenants and who no doubt seems to have tenants who are reasonably well served has developed such a negative attitude and I hope that that will somehow be restored to a more positive outlook on the environment of government. You have indicated that you are fully aware of a proposed bill and a green paper to go with it. Mind you, Bill 4 is still only a proposed bill. I want to reiterate that. I guess my

first question to you then, Mr Every, is, could you tell me if you intend to participate in the consultation process that is being suggested to be a very important component of the green paper that none of us have seen yet?

Mr Every: In spite of our scepticism with respect to the willingness of the government to listen to what we have to say, we wish to participate in any form, no matter how slim we feel the chances are, to effect the changes that we feel are necessary under the circumstances.

Mrs Y. O'Neill: Thank you.

Ms Poole: Thank you, Mr Every, for your presentation today. You have mentioned in your paper some of the statistics on housing starts over the last few years. Actually, this is information that I just asked the Ministry of Housing for this morning. In the last three years it appears that is somewhere in the vicinity of 6,900 per year.

Mr Every: That is correct.

Ms Poole: You represent a coalition of landlords, contractors and investors. Have you done any analysis, whether formal or informal, on what impact you feel Bill 4 will have on future housing starts?

Mr Every: We certainly have not done any formal analysis of the effect that this proposed legislation will have on future housing starts, but as I said in the presentation of my brief, I do not really believe we have to do much in the way of analysis to understand what effect this bill will have. As I said, one of the major factors in this bill that I as an investor would find so harmful is the fact that the proposed legislation would have a retroactive effect on our businesses and therefore on that decision to invest in the future. If we cannot be confident that those business decisions that are being made, those plans are being made being based on the current set of circumstances in the laws of this province, can be carried out without the fear that down the road the rules will be changed retroactively, so negatively affect our investments—if we cannot be confident that that will be the case, I just do not see how we or anyone else could, without fear and without recognizing that a new unknown quantity has been introduced into the arena, carry on with our long-term objectives of building units in this province.

Ms Poole: In other words, you feel that if Bill 4 in its present form is passed, the credibility of the government and trust in the government by the housing industry will be shaken to such an extent that it will have a serious impact on future investment in housing, whether existing or new.

Mr Every: Absolutely.

Ms Poole: You work, from what I understand here, for a large company which manages 20,000 units.

Mr Every: That is correct.

Ms Poole: Can you tell us what types of rent increases the units your company manages experienced over the last few years? Do you have any policy about it? Has there been a wide range?

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Mr Every: I think it is fair to say that we manage a real cross-section of the different types of residential accom-

modation available in this province, that is, self-contained apartments and town houses. We therefore manage all kinds of buildings. All buildings are different. We manage very old buildings and new buildings, small buildings and large buildings. For more than half of the units we manage, the increase has been taken annually throughout the last 10 years—we have been in business for 13 years—at the statutory guideline amount. For the rest of the buildings, the most common annual increase that has been taken has been one based on financial loss and to a lesser extent based on capital expenditures. Notwithstanding the fact that the justified rent increases and awarded rent increases could otherwise have led to increases in excess of 10%—say, 15%—it has always been our policy to encourage clients and it is indeed our policy with respect to most of our clients to increase rents at less than 10% in order to gradually ease those increases into the system so the tenants can more readily absorb such increases.

Ms Poole: One last question about the capital reserve fund that has been proposed by a number of primarily tenant groups. It appears that the way they envisage it working is that a landlord would put a certain proportion of the rents into this capital reserve fund and then, when a major capital expenditure was necessary, the funds would be there and there would be no further increase accruing to the tenant in most cases.

The argument has been put forward by them that just as a prudent home owner would put aside money if he wanted to renovate or fix a roof or something, so should a landlord. I have a problem with an analogy between a single-family dwelling and a 30-storey, multi-residential dwelling. To me it is hard to make the comparison. Would you like to discuss that for us and tell us what would happen, in your opinion, if we were to amend this legislation such that landlords were to be required by law to set up a capital reserve fund, where they were the only participants, and that this money would have to come either from profits, from rents in some form, but without rent increases.

Mr Every: First I would like to say that the current rents charged across the province, and certainly within our portfolio of 20,000 suites, are not at a level adequate to fund major capital expenditures. They never have been. The large majority of high-rise buildings that exist in this province today, the newer buildings you are all so familiar with, was built in the mid- to late 1960s, at a time when vacancy rates were higher, at a time when there was therefore much more competition among owners of buildings. Accordingly, while they would charge the rent the market would bear, in order to come close to break-even, they would at least have to cover their current expenses. Those current expenses, with brand new buildings, did not require any kind of layout at that time, in the history of a brand new building, for capital expenditures, capital major repairs. Those major repairs have just started to be something that has come to be required, particularly in the last few years, because of the age of the housing stock.

Mr Tilson: The Minister of Housing and other government officials have taken the position that capital

expenditures and maintenance expenditures are one and the same. In fact, they have gone so far as to say that there is sufficient moneys in the system, in the rents, to pay not only for general maintenance but for capital expenditures, and that over the years, not necessarily all landlords but many landlords have been literally ripping off the system and that they should have lots of money to pay for these capital expenditures, and that is the reason the capital expenditure item is not listed in Bill 4. Can you comment on that?

Mr Every: I can tell you again that the current rents are not adequate to pay for these major repairs, to fund them. They never have been. Continuing from the early years when these buildings were built, with the rents charged as I earlier described, to 1975 and onwards we have been subject to various types of rent review and rent control legislation in this province. The fact of the matter is that the money just is not there. The average rent for an apartment in the greater Toronto area approximates \$600. The cost of operating these units for our clients—you are welcome to take a look at their books and their statements—is such that, particularly for people who have purchased buildings in the last five to seven years, they are just basically breaking even or losing money.

You have to understand the types of expenditures and the magnitude of these. A roof costs \$100,000 to \$200,000 to replace. Plumbing systems in buildings were built initially, particularly in the mid-1960s, of galvanized steel. Those plumbing systems have limited lives. They are all at the point of needing replacement. That costs several hundreds of thousands of dollars in a typical building. We are all familiar with the major work that is being done across this province with respect to underground garages, concrete work. You are probably also somewhat familiar with the work you might have seen, over the last couple of summers in particular, with respect to concrete balconies and the need to repair and replace the railings.

All of these things are very, very expensive items. There is just no way the rents can cover these types of items in the normal course of events. That is why in 1986—in fact, prior to that—the provisions that are there in the act are there. At the Rent Review Advisory Committee meetings held in 1986, that committee recognized the fact that rents were not adequate to cover and pay for these things.

Mr Tilson: One further question: It has to do with the issue of refinancing, which has surfaced throughout these hearings. I assume in your capacity, in your organization, that you speak to banks, trust companies and various other institutions. You speak to those individuals, people representing those institutions.

Mr Every: Yes, we do.

Mr Tilson: Can you tell us, as a result of those conversations, what impact they feel Bill 4 has, if any, or refinancing with respect to these buildings?

Mr Every: I can certainly comment with respect to my own personal experience and the 20,000 suites we manage. For the most part, that market has dried up. There are few people today willing to lend money at all or in the

fashion they did prior to the introduction of this bill. I think most of them are sitting back waiting to see what the outcome of these deliberations is.

Mr Tilson: Have they made any comments that go even further, dealing specifically with the equity of these buildings; in other words, if mortgages are falling due, for example, or if more moneys are required to make these capital expenditures, where they will go from there?

Mr Every: There are two reasons they are reluctant to lend money at this stage. One is the simple fact that future cash flows in those buildings that are losing money or those buildings that require major capital work certainly are not going to be what otherwise they could have been expected to be prior to the introduction of this bill. The second reason is that the value of any property is nothing more than a function of its cash flow. Decrease its cash flow or increase its losses and the value of that property tumbles.

Mr Tilson: With respect to non-profit housing, which you referred to indirectly at least, do you have any facts that can help us on whether a unit that private enterprise can construct can be built any cheaper than a unit that the government can construct? The government has made a number of promises to construct I think 20,000 units in this year alone.

Mr Every: I understand that under the present system which results in the construction of co-ops and non-profit units, the recognized cost of that construction is in the \$140,000 range. I have been told by some private builders that they believe they can build units today at something much closer to the \$100,000 range total, all costs including land.

Mr Tilson: One of the other major groups similar to yours said they would support a 5% annual cap on capital expenditures. Has your organization any thoughts on that?

Mr Every: We certainly think the imposition of a cap on capital expenditures in terms of the annual increase that could be allowed is a very reasonable compromise under the circumstances. Whether that cap should be 5% as it specifically relates to capital expenditures, or perhaps a general cap of, say, 15% or any other amount that would take into account any grounds for increasing rents, is something that I think should be further explored.

Mr Turnbull: In the case of some of the buildings you are managing, specifically dealing with really small owners, where they have one or two buildings, are there any of those buildings where the people face bankruptcy if Bill 4 goes through?

Mr Every: That is definitely the case with a few of our clients. People who bought buildings in the last two or three years who went to rent review, received decisions and anticipated successive annual increases of the 5% ceiling as it relates to what they call financial losses or operating losses will now find themselves in a position where they will incur nothing but operating losses into perpetuity, or for an awfully long time.

Ms Harrington: Thank you for coming, Mr Every. I note that you started out your presentation on a very posi-

tive note, stating these were six things you thought everyone would agree to. I think that is a good way to start. You said something about a renting partnership in Ontario, that landlords and tenants have to work positively and co-operatively together more than they have done in the past. I think that is a line I said yesterday, so I would agree with you there.

In the last few minutes we have been talking a little about the government's co-op and non-profit housing programs. I would like to agree with you that certainly we cannot rely on that for future housing needs, for several different reasons. Ontario housing in the past has been a very great need and we are committed to that, but I would like to say that we are also relying on the private market system; it always has operated in the past and we are hoping it will in the future.

I think the reason for these hearings is for me to hear your point of view and to also have a better understanding of each other's positions. Let me ask you a couple questions so we can reach some understanding. Do you feel that the present RRRA system you are operating under is working?

Mr Every: We feel that it is functioning well. There are some administrative matters, problems with timing that for the most part have disappeared; backlogs, things that were a practical problem for landlords.

Ms Harrington: You are happy with the intent of its operations?

Mr Every: That is correct. We recognize that there are problems in the system and certain bugs, we agree, should be ironed out.

Ms Harrington: I think we disagree on that point. So you would agree that there is too much complexity in the system.

Mr Every: The thing about the present system is that it takes into account that all buildings are different. It has a degree of flexibility that allows the system in an intelligent sort of way, as far as I am concerned, to take a number of different factors and circumstances into consideration.

Ms Harrington: Can I ask you this, then? Do you feel that the people who own buildings in this province are in this ownership responsibility for the long term, that is, in order to operate the buildings in the best way possible?

Mr Every: Most of our clients, and certainly ourselves and members of our organization, are in it for the long haul. There are some people who perhaps buy buildings for reasons other than that, but they are the exception to the rule, as far as I am concerned.

Ms Harrington: So you feel the purpose of people owning buildings is in order to manage them in a professional manner?

Mr Every: Absolutely.

Ms Harrington: Good.

Mr Drainville: Before I begin my substantive comments, I would like to ask: Am I correct in assuming that you are part of an organization that ran the "Investors Beware" advertising in the Wall Street Journal?

Mr Every: That is correct.

Mr Drainville: I just want to make a comment about that, if I might, before I begin. You have characterized yourself as a good citizen and that you wish co-operation and conciliation between your industry and the government, and I would say that running that kind of ad in the Wall Street Journal with the kinds of comments it makes is not helpful to that kind of relationship. I just pass that on to you.

On the first page of your brief, you say "With respect to rent controls, our members have looked at the evidence—in Ontario and elsewhere: we know that there is no reasonable doubt or question about the fact that rent controls are destructive. There is no intellectually honest argument in favour of rent controls as a long-term public policy in Ontario or anywhere else."

I would like to put to you some facts from British Columbia, where there was a rental control policy. In 1984 that was de-controlled. Some of the facts of the BC situation might be germane to the discussion you have had here today. Contrary to conventional market equilibrium theory, the removal of rent controls in the city of Vancouver has not resulted in balanced supply and demand. Private rental starts, as a proportion of total starts, declined from 47% in 1982 to 5% in 1988. Vacancy rates continue to decline from 2.3%, 1,226 units in April 1987, to 0.5%, 288 units in October 1989. Condominium starts rose from 395 starts in 1982 to 1,566 starts in 1988. The only measurable effect of de-control has been the high rent increases, 17% to 60% estimated by tenants' groups and the newspapers, and 9.3% to 14.3% estimated by CMHC, October 1988 to October 1989.

I use that juxtaposition of your comments that rent controls are not acceptable in Ontario or anywhere. I would like to hear your comment on those statistics from British Columbia.

Mr Every: First, I really am not familiar with that system in British Columbia, or for that matter in any other province in this country or outside of it. Our general proposition is that we do not believe that rent controls are a solution to the problem. Rent controls come into place, theoretically, as a social program to benefit those who are less well off in society, to help them fund their cost of accommodation. We very strongly believe, like any other social program, that if it is accepted by society then society should pay for that program, and in our particular case not just the landlords.

With respect to the statistics you have quoted, I can only quote you the experience here in Ontario, and I did go through that briefly when I read my material earlier on. The history and the track record is, I think, very compelling to show the disastrous effects that rent controls have had on the construction in this province. From 1973 to 1975, the units dropped drastically.

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Mr Drainville: You gave us many of the figures. I apologize for asking—I did not want to get you into the position where you did not know the BC—but because you were commenting on other parts of Canada, you said "everywhere," you were making a statement about that, I

wanted to indicate places where there were controls and de-controls were put on, and just indicate that there is a strong case made in the BC situation for rent controls. By the way, there is already a move afoot in BC looking again at rent controls and the need for them. But I pass on, Mr Chairman.

Ms M. Ward: I would like you to explain to me something perhaps if you can about the behaviour of landlords, of whom you represent a large number. If I am a prudent house buyer, before I purchase a home I am going to make sure that the roof does not need extensive repairs, that the foundation is sound, that the plumbing and heating systems are in working order and will be for at least the foreseeable future. Otherwise, I will not purchase that house at a price that is a comparable price to others on the market without those defects. Why would a landlord not act the same way? Why do you find the landlords purchasing houses, according to what we hear—not houses, pardon me—but with all these defects that have to be corrected immediately? If this market system was working correctly, would that not reduce the price of those apartment buildings?

Mr Every: First, a number of factors are taken into account when—

Ms M. Ward: Sorry. I tried to get my question in real quick. I was speaking very quickly.

Mr Every: Yes. When any prospective purchaser looks at buying an apartment building, what I have to tell you is that all of the major components of an apartment building deteriorate, that is, depreciate over time, and at a given point in time in examining, doing a purchase investigation, if we can call it that, but a physical inspection of a building, a purchaser would observe the condition of all of those major components and would observe that they are in varying stages of deterioration. None of them is going to be brand-new.

Ms M. Ward: Can I interrupt you for a moment?

The Chair: I am sorry, but our time is up. I have already allowed two minutes extra. Sorry about that, but I am following the committee's instructions. Mr Every, thank you for appearing before us today. We appreciate your comments.

Mr Tilson: Mr Chairman, I have a couple of questions that I would like to ask Ms Harrington, as parliamentary assistant to the minister as a result of statements that were made by the last speaker just to clarify in my mind certain areas. Can I do that?

The Chair: That is unusual.

Mr Tilson: She may wish to push the questions off to the staff, but I would like to ask the questions, whether she answers them or someone else answers them. Can I put the questions forward?

The Chair: I want to think about this before I allow it, because tomorrow there may be other members of the committee who may have questions for Ms Harrington and if I allow you to ask today, I may allow—

Mr Tilson: Perhaps not to her, but to members of the staff. That has been allowed.

The Chair: Yes, because that has been the normal, customary tradition that we have established.

Mr Tilson: The statement was made that the green paper has in fact been written. Is that true or not true?

Ms Harrington: Could I try to answer very briefly? I wanted to answer Mr Every, but I did not quite get the chance. What I wanted to say to him was that the green paper is in fact going to present options A, B, C, D, E—"What do you like?"—and we are going to ask everyone, on all kinds of different issues.

Mr Tilson: My question was, has it been written or not written? If it has been written, can we have it?

Ms Harrington: It is in the state of being written.

Mr Tilson: It has not been written as of yet.

Ms Harrington: It is not finally complete, no, but it is certainly on its way.

Mr Tilson: I am not too sure what that means, but we will pass for now. The second question was with respect to examples, not specified examples, given of landlords charging major increases in rents, 100%, tremendous increases. We have read of some of those examples in the paper. I guess my question is, and this was referred to by Mr Every, have the ministry officials or has the Minister of Housing instructed the staff to put an investigation on these landlords to determine whether or not there have been any illegal acts committed, whether criminal or otherwise, with respect to the tenants of these buildings?

Very serious allegations have been made by several sides as to these few individuals. I do not even know who these individuals are. I hate talking about abstract issues like, "Who are these people, and if they do exist, has there been an investigation?" If there are not any, then we should be told that too.

Ms Harrington: We will ask Dana to give that information to us, but I think that we should continue, Mr Chair.

URBAN DEVELOPMENT INSTITUTE

The Chair: We have before us the Urban Development Institute. Your organization has been allocated 40 minutes. I believe, Mr Kells, you are very familiar with the procedure here.

Mr Kells: Yes, thank you.

The Chair: It is nice to have you back, actually.

Mr Kells: Yes, it is.

The Chair: You should come and visit us more often.

Mr Kells: It is nice to come through the front door.

My name is Morley Kells and I am the president of the Urban Development Institute of Ontario. I would like to express our appreciation for being scheduled to appear before your committee today. Perhaps for the newly elected MPPs serving here on this committee, a little background about UDI would be in order.

The Urban Development Institute of Ontario received its charter in 1957 as a professional, non-profit organization comprising firms engaged in the development of lands in the province of Ontario. Our activities focus on promoting wise, efficient and productive urban growth. UDI also

serves the industry as a forum for the exchange of knowledge, experience and research on land use planning and development.

Today, over 200 corporations representing thousands of individuals are members of UDI. The list includes land developers, architects, city planners, investors, planning agencies, financial institutions, engineers, lawyers, economists, marketing and research agencies, and all together we constitute the collective forces guiding land development and form the basis of the Urban Development Institute's membership. The construction and management of rental properties is a category that has always constituted a large part of our membership.

With me today is Yehudi Hendler, who is chairman of our apartment group. Yehudi will present UDI's brief for your consideration, and both of us will be available for questions at the end of the brief.

Mr Hendler: My name is Yehudi Hendler. I am the chairman of the Urban Development Institute of Ontario apartment group. Our association is made up of the larger landlords in Ontario, particularly in Metropolitan Toronto. Most of our members started small enterprises decades ago. Today they have grown to employ hundreds of people and provide shelter for thousands of Ontarians. Our members are the bedrock of the rental industry in Ontario. We are not buyers and sellers of apartment buildings. We have a very, very long-term perspective and we look at the rental industry as an ongoing business. As such, we recognize that customer service is our number one priority.

While we appreciate the opportunity to be heard, we are frankly sceptical about the outcome of these hearings. We say this with real regret, because we have been witnesses to many changes in rental policy and legislation over the years. It is our earnest wish that the politics of rental housing could once and for all be tempered with pragmatism and the long-term interests of Ontarians, tenants, landlords and all taxpayers alike.

With that hope in mind, we would like to make three points today. We want to speak of tenant needs for decent accommodation, of fairness before the law, and finally, we want to make some suggestions to the committee about Bill 4.

First: the tenants' needs. Historically, rent review was designed to protect tenants from large rent increases. The last major change to the legislation, which emanated from the New Democratic Party, the Liberal government, the landlords and tenants, produced Bill 51. This legislation has been the subject of controversy, particularly because the media carried stories of rent increases far in excess of the annual guideline limit, increases driven in part by improvements to rental buildings.

What is the truth? We understand others have testified as to the extent of rent increases in excess of the guideline. To our knowledge, of the 1.2 million apartments in Ontario, about 86% received only guideline increases under Bill 51. Our conclusion is that this legislation was serving to protect the majority of tenants, and where gaps existed, the government was moving to fill them, as it did last year. At the same time, needed work was getting done and most rent increases were phased in over time.

Let me be clear when I say "needed work." I am certainly not talking about the much misused term "luxury renovations." In our experience, the redecoration of a lobby or the replacement of kitchen counter tops and so on can lead to increases of a percentage point or two in a given situation. These types of renovations generally just are not significant enough to generate double-digit increases. I am not talking about items that some misconstrue as maintenance which should be conducted on an ongoing basis. Maintenance is conducted on an ongoing basis by our members and it consists of repairs and regular upkeep to a building.

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What I am talking about when I speak of needed repairs are the major capital improvements to preserve Ontario's stock of apartment buildings and to ensure that present and future tenants have a decent place to live.

I am sure you are going to hear a great deal from others involved in the rental industry as to the necessity for these repairs, so I will be brief. Simply put, the bulk of Ontario's apartments were built decades ago to standards and with technology that is out of date today. At the same time, the building systems are deteriorating through natural process of aging. I am speaking of roofs, of plumbing and heating systems, wiring, parking garages and so on. No amount of maintenance done on a daily, weekly or yearly basis can address the needs of these systems. Periodically, they require major renovations.

The question is, if our customers are not to pay their fair share for these improvements in a measured manner and over time, then who is? Government? All taxpayers? We do not think that the Ontario government is in any position to come up with the \$10 billion needed to bring Ontario's apartments up to today's standards, particularly in light of the economy.

Those benefiting from the service should pay their fair share for the required improvements. But we do not think tenants should be expected to pay for this in one lump sum, either. Rather, the only way to ensure the work is done is to engage in a moderate and planned program of major renovation which sees rent increases kept at reasonable levels throughout the period. That is a prudent business approach and an approach which our members adhere to under the terms of Bill 51.

This work cannot be ignored or the very people who government is attempting to serve through its proposed new legislation will be the ones who are hurt, both in the short term and in the long term.

Let me explain. Freezing the rental industry's ability to do capital expenditures through Bill 4, even for a period of six months to a year, will seriously hurt tenants. Rental owners and investors and those who loan money to make major improvements to buildings already have gone back to the drawing board to rethink their plans for the future. Bill 4 in its present form has already caused work stoppages throughout the industry.

Please do not be under the impression that once the so-called permanent legislation is in place that this work will resume. It would be folly for you to be under that impression. It will take a great deal of time for people to

understand what is to happen next, to replan their programs and to make a decision as to whether to commit to gradual restoration again or not.

The threat of future change, future intervention and future disruption will be a very significant factor in making that decision. So even though our members, who in some respects are the old guard of apartment business, want to serve our customers to the best of our ability, we are being compelled to rethink our entire approach to our business because of Bill 4. As well, it is conceivable that lending institutions will withdraw from our sector altogether, thus depriving us of the needed funds to undertake the work in the first place. Let me be clear: I am not here to complain about the lot of landlords. I am simply here to caution about the lot of tenants and the impact that this current course of action will have on tenants, our customers.

Now I want to turn to the related issue of the retroactive provisions of this legislation and the effective date of 1 October 1990.

You will hear from many witnesses about the impact that this legislation will have on them. Small and large landlords who obeyed the spirit and letter of the law now find themselves in very difficult, if not catastrophic, financial situations. Rather than give you example after example of the financial harm being done, we simply want to make a broader appeal to you on the basis of fairness. We say to you who are legislators that it is incumbent upon you to ensure that the laws of this land are applied with a sense of justice and fairness, real and perceived to all, regardless of circumstances. We have no argument with your desire to protect tenants and in that sense we have no argument with your motivation at all. We do, however, see that the way in which you are proceeding is resulting in a fundamental injustice.

Some of you may well quote back to me examples of tenants who are facing large rent increases and are in serious financial jeopardy. For those situations, we say to you, address them squarely and with reason to come to a form of response to assist those people. By the same token, we appeal to you to have consideration for those in business who have obeyed the law and find themselves in jeopardy today as a result of the current proposed legislation.

Please bear the principle of fairness in mind and look to the needs of all Ontario, or as the Premier said on the night that he was elected, "govern for all Ontarians."

A related and very important part to this issue of fairness is the impact you are having on businessmen and women across the province and their attitude towards the rental industry. I alluded to this above. Make no mistake: If the legislative environment in Ontario was fair to all sides, then there would be significant private sector construction of new rental units.

It is true that the private sector withdrew from the rental construction because of the imposition of rent review. It has also true that the industry, to a large extent, switched over to condominium construction, seeking safety in individually titled units.

Not all those condominiums had to be built as condominiums. They could have been private rentals, increasing the supply and the vacancy rate throughout the province. But investors reacted to the legislative environment and so today we have low vacancy rates.

For those who maintain that private development would not have taken place because of high land costs and other factors, we say to you that you are wrong. The private sector would have responded with construction of rental units and would like to in the future. Do not underestimate the ingenuity and drive of Ontario's businessmen and women if given a fair chance to compete.

Sadly, the fear that drove industry to the condominium market and away from private rentals has been proven to be real time and again, first with the passage of Bill 51, then with the revisions to Bill 51 and now with Bill 4 and the prospect of yet another massive change to come. The impact of legislative change on the businessman or woman's approach to his or her job is very real. By and large, the businessman or woman simply wants a relatively predictable environment in which to function. They will take their chances with interest rates, the demand for their product and so on. What they cannot account for are the vagaries of government intervention. In the rental sector, this has been particularly true. Their caution, even their suspicion of government, has been demonstrated over the past decade.

All Ontario has suffered as a result, to a greater or lesser extent. First, you have tight vacancy rates which drive up the cost of housing. Second, the cost of housing indirectly drives up the cost of labour, and the cost of housing itself can discourage some from making needed new investments in plants or equipment in certain areas of the province. Third, of course, there is a requirement for government to move aggressively into housing business in the absence of the private sector.

Thus we have seen the Homes Now program; thus we are hearing about new plans for more non-profit and co-op construction. This costs billions of dollars a year in borrowed money and over \$1 billion a year in operating costs for subsidies. That money could be better applied to other pressing needs—hospitals, schools, pollution abatement—if only the private sector were allowed to play a meaningful role in the new rental construction again.

I am not bringing a message today, as the Minister of Housing said, that the sky is going to fall. Far from it. In terms of the new private sector rental accommodation, the sky fell some years ago.

Ironically, this legislation comes at a time when confidence to re-enter the private rental market was re-emerging, and in fact the marketplace itself was showing signs very recently of working again. The thousands of new condominium rental units that have been coming on to the market during the past year, have been driving rental prices down at the high end. Some owners report that tenants paying \$600 to \$700 a month are now reaching up to these lower-priced new condominium rental units with their attractive amenities and paying \$800 to \$900 a month. As a result, vacancies are occurring in the rental apartment sector. I might add that in speaking to some of

our members, we have in post-1976 buildings vacancy rates as high as 4% to 5% today. As opposed to increasing rents even with the statutory increase, rents are being held or being lowered today in those buildings.

While this market blip may continue as more condominium units are completed, it will not last, but it is evidence yet again that the market can work to restrain prices and it is certainly evidence that the private sector can supply and indeed oversupply the market with housing when the demand is there.

I will conclude my remarks now with some suggestions for the future. Before I do, however, I make one last appeal for a co-operative partnership among our industry, tenants and government to address the problems of high increases and yet the need for capital improvements and new supply. This seems to be the fervent wish that all politicians and industry talk about, but we are rarely permitted to act upon our wishes.

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A start could be made with this bill. A start could be made by abandoning the freeze legislation altogether and moving on to the permanent legislation as soon as possible. Government could, during this period, address individual cases of large rent increases on a case-by-case basis. Even a more realistic cap could be contemplated for orders in the stream now. Industry could continue on, knowing that another change was coming yet participating together with tenants and others in its design.

Our major recommendation to you is to adjust this legislation. If, however, politics dictate that this bill must go forward as is, then we strongly urge you to amend it to ensure that needed capital expenditures are included even in the freeze period. Perhaps this can be done by including needed capital improvements as eligible for pass-through in the way so-called extraordinary operating costs are to be allowed.

Committee members, I urge you not to stop these repairs as our industry may never recover from the blow and may never be able to serve its customers, the tenants of Ontario, properly in the years to come, regardless of the ultimate form of permanent legislation that eventually becomes law in this province.

Mr Turnbull: Were you here during the last witness's presentation?

Mr Hendler: Yes, I was.

Mr Turnbull: He was asked during questioning how much rental units could be built for today. He suggested that it is possible that for \$100,000, including, land one could build a rental unit. Do you concur with that?

Mr Hendler: I am sorry, but I cannot concur with that because I do not have the information. I do not know. Had I known that question would be asked, I probably could have checked through our own company to find out what it would cost to build a rental unit today.

Mr Turnbull: Perhaps I will address it to Mr Kells.

Mr Kells: We take our advice from our apartment folk and—

Mr Turnbull: Could you possibly send that to us in writing? Do you feel it is reasonable that the government should participate in a shelter subsidy program?

Mr Hendler: I think that there definitely should be a shelter program. I have seen it work on some of our buildings where we have housing that is subsidized by the various regional governments or regional areas. The tenant pays based on his ability to pay. If it comes to a point where the price of rental accommodation has gone sky-high, then I think it should be done on that basis. Therefore, those people who are living in rent-controlled units today paying \$500 a month and earning \$60,000 and \$100,000 a year would have to pay the market rents of apartments as opposed to somebody who is earning \$20,000 a year and is not able to pay \$700 or \$800 a month rent.

Mr Turnbull: It is my observation that some of the tenants who have brought stories to this commission have had some very heart-rending stories. Certainly, the Conservative Party is extremely sympathetic to ensuring that the right of affordable, clean and safe housing is available to everybody. But we have had vastly conflicting testimony. We have had people who were complaining they were paying \$450 a month who admitted they were paying less than 30% of their gross income, and still were complaining about the need to put Bill 4 through. On the other hand, we have people who apparently are paying close to \$1,000 for their room, which apparently is a single room and the landlord cut a hole through the ceiling to get heat through.

It seems to me that these are vastly different cases. Would you think that it is reasonable to suggest that the present use of funds by the Ministry of Housing is inappropriate? I would like to quote something that came up in the last session of the Legislature.

The Ministry of Housing announced that it was going to give a subsidy which divided by the number of subsidized units in a co-op that was to be constructed in Scarborough. It was equivalent, if you were to give that money to all of those people subsidized, to their having a mortgage completely paid for to cover the \$245,000 unit. Do you think that is an appropriate use of government funds or do you think it should be better spread across the province to people truly in need?

Mr Hendler: I think that funds should definitely be spread across the province to people who are truly in need. If my memory serves me correctly, I think there have been some economic studies done, and please do not quote me because I am not 100% sure; however, I recollect that when it comes to people who cannot afford rents and are below a certain income limit, I believe it is about 10% or 15% but I am not sure. I do not have those facts, but I believe it was a study done by Professor Larry Smith and that he quoted those figures, but I am not sure.

Mr Turnbull: Can you just look at this for a moment. Would you tell me what that is.

Mr Hendler: One penny.

Mr Turnbull: Would you turn it over?

Mr Hendler: It is still one penny.

Mr Turnbull: What are on the two sides? Would you describe what are on the two sides of the coin?

Mr Hendler: One is the Queen and one is the maple leaf.

Mr Turnbull: One of the things that is frustrating me in these hearings is that our friends on the other side of the tables here—and they are our friends, believe it or not; we may seem a little bit agitated in these discussions but there is no malice, I assure you. We have the difficulty of trying to make sure that both sides are fairly heard, but at the same time that everybody recognizes that there are legitimate arguments to both sides and that we have to have logical legislation which recognizes those two things and does not harm either side. That is the whole thrust of my questioning about shelter subsidies as opposed to the shotgun approach.

Let me change my line of questioning. Are you aware of landlords who are in danger of losing their homes because their mortgaging cannot be replaced?

Mr Hendler: Personally, no. Our association is landlords, as I stated in our brief, who have been around for an awful long time. We have not bought or sold units. We were in the process of developing units and building them for our own keeping. Many of us are our own managers. We do not hire third-party managers. It could be an average landlord—6,000 or 7,000 suites apiece—who has been in the business for a long time and the units are now anywhere from 15, 25 or 30 years old, anywhere from that gamut, and require a lot of repairs and maintenance.

I heard somebody talking about a reserve. Well, no reserve was put aside 25 years ago. Nobody thought we were going to have to replace our underground garages 25 years ago either.

Mr Turnbull: Was there any legal provision to put a reserve away?

Mr Hendler: No.

Mr Turnbull: If you had been allowed a certain amount of extra funds each year, would you have been prepared to put a fund away?

Mr Hendler: I think that back in the early 1970s the answer would probably be no, because the vacancy rate was so high that people were just trying to rent their apartments. The market was determining what the rents would be. Today if you look at the newspaper you see ads where you are getting two months free rent, one month free rent or: "Come and talk to us. We're willing to negotiate." That is what the situation was years ago, so how could you add something to your rents when you had to get whatever you could in order to fill up your building, and sometimes filling up your building meant that you were taking a loss position, both cash flow and financial loss.

Mr Kells: If I may, the economics of rent control in 1975 changed the whole equation. In other words, people had to deal with the marketplace prior to 1975. After rent controls came into being, then the economics of it changed dramatically. It never quite caught up to that.

Mr Turnbull: Quite so. It was not the lack of wanting that fund; it was just a question of the economics. There

was no profit when rent controls came in and it has just continued on as that.

Mr Kells: It is just hypothetical, but if you had no rent controls and you had the marketplace to decide, if you did not have a decent building, you would not have any tenants. Somebody else would be building rental accommodation and would take those tenants.

Mr Mammoliti: Mr Turnbull, I am glad to see that you can afford a penny. There are a lot of tenants out there who certainly cannot take a penny out of their pocket because of the rents they are subject to.

Mr Turnbull: Landlords will not be able to afford it either.

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Mr Mammoliti: I am assuming this is a newsletter or—

Mr Kells: I publish that weekly.

Mr Mammoliti: This particular one that is attached to your presentation says, "Julie Davis, secretary-treasurer of the Ontario Federation of Labour, is quoted in regard to the landlord association claims that thousands of jobs will be lost because of the cessation of renovation work on buildings as: "We've yet to see any evidence of the kind of dislocation they're talking about. When tenants pay rent, some [of it] is supposed to go to the maintenance and upkeep of buildings. So if jobs are lost, I think it's the responsibility of the landlords, rather than the legislation."

Then you go on by saying that you can be sure that "the type of jobs that are lost are by people not affiliated with the big OFL; they're mostly small contractors with non-union employees. So it would appear that they don't count with union bureaucrats."

I have been asking a number of questions this week with regard to the fact that tenants cannot afford the rents and we have heard consistently that perhaps it is the government's responsibility to help those tenants out with their rents. I would say to you, do you not think that landlords should take the responsibility when it comes to the fact that they cannot afford renovations?

Mr Kells: I am not sure if I understand your question, given the lead-in.

Mr Mammoliti: I am simply saying—

Mr Kells: Landlords can afford the renovations if they follow the terms of Bill 51. Are you suggesting that landlords can afford major renovations if you have a 2% or a 3% cap?

Mr Mammoliti: No. I am suggesting that perhaps a landlord should look into the building before he invests in that building and then if there are problems with that building not to put it on the shoulders of the tenants.

Mr Hendler: We are not looking at landlords who have bought the building. We are dealing with our group, our landlords—

Mr Mammoliti: I am asking you a question.

Mr Tilson: Give him a chance to answer.

Mr Hendler: We have built these buildings over a number of years and these buildings are still in our

portfolio, and they are a major amount of work. Now, Bill 51 recognized the fact that major renovations have to take place. You also have in your regulations with regard to Bill 51 amortization tables over the number of years, the number of items, etc., etc. You also have an item in Bill 51 called "costs no longer borne," so that if these costs are going to be done, they are only going to be done once, and that is it in the lifetime of a building. So that is taken care of because these costs were not anticipated years and years ago, nowhere near these types of costs, nowhere near these types of things. By the same token, we also did—if the marketplace situation was such, it would be completely different.

Ms Harrington: How nice to meet you, Mr Kells. I do read your monthly or weekly bulletins. Is it in fact weekly?

Mr Kells: Weekly.

Ms Harrington: Oh, all right. I only get the copy at the Ministry of Housing but I do find it very interesting reading.

Mr Kells: Actually, I send them to your office, my dear, but I guess you will catch up with them eventually.

Ms Harrington: They are not getting through to me, I guess.

I understand your need for predictability in business and that is why we want, as a government, to get on very quickly, as quickly as possible to the long-term legislation. What we are looking for is your expertise and your help in this discussion paper, or as it has been called, the green paper, which will be available very soon. We want you to be part of those options that we are going to be offering to you as to what you think is best.

Let me ask you a couple of questions. Do you feel, either of you, that housing is a right?

Mr Kells: Yes. I think the Conservative government enunciated that a long time ago. Housing is a right.

Ms Harrington: Okay. Do you feel that primarily apartments are in fact homes as opposed to investments?

Mr Kells: Oh, yes. Wherever you live is your home.

Mr Hendler: To the individual tenant, his home is his castle, no question about it, and many of our owners, landlords who own the buildings, recognize that and nobody gets thrown out of an apartment building as long as he pays his rent. Even if they complain that something is wrong and the landlord has to come and fix it, they do not get thrown out because of that. We have in some of our buildings some long-standing tenants, and I say that the majority of tenants, 98% of them, are excellent tenants. It is like a bushel of apples. You have one apple that is rotten and the perception is that the whole bushel is rotten. Well, we do not take that perception of all our tenants. We know that some are bad.

Ms Harrington: I do not have much time, but let me just get into some of the very basic stuff. Since we agree that housing is a right and that tenants and everyone in general should look at apartments as homes—that is what they are—and not just as investments—the people who own these buildings are investing. It is a long-term thing.

Why would they be doing that if they could get better money in Treasury bills or in the marketplace?

Mr Kells: You are asking for a rather definitive answer to a hypothetical question. It depends on when they bought the building, what their economic situation is, any number of things.

Ms Harrington: What I am getting at is that there is a lot of equity in buildings. We as home owners understand that. That is a great investment for us. We must realize that these apartment owners have equity and that is very important in the long run. As home owners, they should be maintaining their buildings. We have a sense of pride in home ownership, and I think since you are long-term landlords, you are coming from that direction.

Mr Kells: Absolutely.

Ms Harrington: I just want to say that we want to work with you.

Mr Hendler: Just to add maintenance and repairs, when we talk about maintenance and repairs, the majority of our members in our association have kept their apartments in a good state of maintenance, in a good state of repair, totally ongoing. We have a code of ethics which we adhere to. Our own company, as well, spends thousands of dollars on maintenance and repairs. However, there comes a time when the roof goes. There comes a time when the caulking deteriorates because of weather or whatever. There comes a time when the bricks fall. There comes a time when all these things happen.

Ms Poole: I would like a point of clarification to begin with. Are we going to ask Mr Turnbull's skill-testing question with the penny of every presenter before it answers questions or is it just this particular group?

Mr Kells: I am not too sure if any of our group would be up to the answer.

Ms Poole: I was not sure whether they were chosen because of their particular skills or whether we should be asking every time.

Mr Hendler: I do not know.

Interjection.

Mr Hendler: It is still right over there.

Mr Kells: We thought it was a trick question.

Ms Poole: I guess you are not the greedy landlords. You did not pocket the penny.

Mr Hendler: No, I did not pocket the penny. Far from it.

Ms Poole: I believe you were here for the latter part of the previous presentation. I had asked a question to Mr Every which he did not actually have an opportunity to respond to because of the time allowance. That was relating to the prudent home owner theory, which is that a prudent landlord should put aside from the rents sufficient money to take care of major repairs and capital expenditures the same as a prudent home owner would. Would you like to discuss with us, as major landlords and knowing very intimately what your economic circumstances are, what you think about this theory and whether in fact it holds up in reality?

Mr Hendler: Being in both situations as a tenant and a home owner, over my period of a number of years of owning a home I have yet to think of putting away a reserve fund for replacement of something in my home. I do not think any home owner in the country does that. There may be the odd one; I should not say "any." It is highly improbable that you would get a home owner who would put away money for his home, for replacement of his furnace. He will do it as it comes necessary and he will either have the funds in some savings account where he is earning interest with the money or he will go out and borrow the money from the bank and pay it off, as he has to do it.

Today you go out and buy a house and people have mortgages and they are just about mortgaged right up to the hilt. So how are you going to take an extra \$3,000 or \$1,000 a year and put it away in a bank account when: "I can hardly make your mortgage payments. I'll worry about that 10 years from now when maybe my income will be substantially greater than it is today and I won't have this tight situation that I'm in now." You cannot compare the two. I do not know how you would compare the two.

Ms Poole: I am finding a little difficulty comparing them myself. I would anticipate that for a large multi-residential building, the types of major capital expenditures you would have would be significantly different than what you would have in a single-family dwelling. I do not think you have too much in the way of underground parking garage corrosion; I do not think you have balcony deterioration; a lot of the contracting of the cement, which means that you need new masonry done. Those are the major types of expenses in a large apartment building that you would not experience as a home owner. I also understand, from statistics that were provided to us via a study commissioned by the Ministry of Housing several years ago, that the equity for apartment buildings is much lower than that of a single-family dwelling, that the equity is rising in the latter case at a much greater percentage.

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Mr Hendler: I am just going from somebody whom many many years ago I asked why he was building apartment buildings, and I am going back into the 1960s, and this was in the province of Quebec, where I was living at the time. He was building it not in the city of Montreal but in the city of Sherbrooke. He built 40- or 50-unit apartment buildings and he kept on building one at a time. I said, "What are you doing with it?" He said, "I make a certain amount of profit here and I put it in here and I build the next one and then I build the next one and then I build the next one." So I said: "Tell me something. You're not really making that much more money and you could be investing your money somewhere else." He said, "I'm doing it for the long-term growth." Again, he was doing it for long-term growth over a period of years.

You have a situation where a private developer or a private owner built an apartment building 25 years ago. He may have two apartment buildings of 300 or 400 suites. We are not talking about thousands of suites. He has built it and he has had it for the last 30 years. Now he has

nobody to take care of it. He is getting on in age. He wants to take his money out so he can plan his estate. Nobody wants to look after the apartment buildings the way he did, nobody wants to deal with the tenants the way he did, so he wants to sell it. So what is the value? Bill 4 will kill the value of that apartment building. And he has been a long-term landlord, a prudent landlord, not gouging, a fair landlord, and he wants to sell it to somebody. He wants his fair dollar or his fair return on his investment that he made 35 years ago. That is all he is asking for.

Ms Poole: We have had several small landlords presenting to us who have been on the verge of bankruptcy, are losing their retirement savings because of the retroactivity clause, and they have been quite upset by it to the point where they broke down in committee and cried. Can you please tell us what the impact would be, on the long-term larger landlord, of the retroactivity?

Mr Hendler: I do not think that it would put many of the long-term landlords into bankruptcy. However, it does affect their cash flows, their future expenditures. They will have to cut back somewhere, because the banks will not lend them money to the extent that they would in the future. They are going to have to cut back. Somewhere they are going to have to cut back in order to be able to pay the cash flow that they have spent. We are talking about buildings that have been under rent control since—pre-1975 buildings; we are not talking about post-1976 buildings.

I have a situation in my own portfolio, a building where there is a \$250 spread between the maximum rent allowed and the current rent that I am getting. I do not think in my lifetime I will ever see this building achieve maximum as it progresses with the 5.4% increases. So regardless of what is going to happen, those buildings will—still, market will dictate what it is all about.

Ms Poole: One final question. If Bill 4 goes through in its present form without amendment, will you put that one penny you have into major repairs or capital expenditures during the course of the moratorium?

Mr Hendler: Well, if my roof is leaking and I have 10 apartments on a floor with water coming in, I will certainly have to do it, but if I can patch it for one little penny here today and I know it is going to have to be replaced maybe next year or the year after I will wait.

In some of our buildings, I was preparing a five-year plan to do capital expenditures in a building that is some 15 years old. I was going to do it over a period of five years to phase it in, not to affect rents to a great extent and not to increase rents in one lump sum. As a landlord, in certain areas we have gone into one rent review proposition and we told the tenants that we would not increase the rents more than 15% in any given year, regardless of what amount of increase we got from the government.

Ms Poole: That would be taking advantage of the multi-year plan John Sweeney brought in last year.

The Chair: I want to thank the presenters for coming before us. The information was valuable.

Mr Hendler: Thank you very much.

Mr Kells: Good to see you again, Mr Chairman.

LANDLORD SELF HELP CENTRE

The Chair: We are just going to need a couple of seconds to set up the overhead for the next presenter. While that is happening, we are going to distribute some information. We have two or three pieces of information we are going to give to the committee. I requested some further research from the legislative research department, and that is more or less an add-on to the information I had requested and distributed earlier to the committee. We also have a letter from the minister that we are distributing and another document referring to the presenters who are before us.

I believe the presenters have been here for a short period of time. You have watched the operation of the committee. Are you familiar with the way we operate? You have been allocated 40 minutes, 20 minutes for your presentation. We would ask you to introduce the main spokesman and all of the people who are with you and their positions within your organization for the record, please.

Mr Libman: My name is Peter Libman and I am the chairman of the board of directors of Landlord Self Help Centre. To my right is Rob Herman, who is the treasurer. Susan Young is the co-ordinator of the clinic and a staff employee. To my left is Derek Lobo, who is not a member of the clinic but he is a small landlord. He was not given time himself to make a presentation so our clinic has given him some of our time to make his presentation within our 40-minute allotment.

There was a comment by the last presenters about the fact that they represented the large landlords. Our clinic represents small landlords. The typical person who comes into our clinic has less than four units and is occupying one of the units himself or herself. Our clinic deals with about 18,000 small landlords each year and we have four staff employees. Our clinic is primarily funded by the Ontario legal aid system and we have been in operation for 15 years.

I define "small" in terms of our clinic. There is an additional qualification for our clinic. The people who come in must also meet a financial guideline that is imposed on us by legal aid. We do not have a staff lawyer. We can only provide summary advice for the people who come into our clinic. We obviously cannot represent them in court because we do not have a staff lawyer.

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Susan Young, whom I introduced, is the co-ordinator of the clinic. She is going to answer any of the tricky questions you have about the clinic. She is sitting off to the side because she hopes you have no questions.

As chairman of the board, I am actually a lawyer in my real life specializing in family law. I am a volunteer. I have been on the board of directors of the clinic for 14 years. All the board members are volunteers. I am neither a landlord nor a tenant myself. I own a house in North York in the riding of one of the members who is not in the room right now. I was also a member of the RRAC, the Rent Review Advisory Committee, which you have heard a bit about that negotiated Bill 51. I have my autographed copy

with me. I have obviously a lot of the background information as to what happened into the coming of Bill 51. I also have a master of law degree specializing in constitutional law.

Rob Herman is the treasurer and also a volunteer member of our board of directors. He is a small landlord himself and also a property manager. His company is Robinwood Management Corp Ltd. It is named after a very famous street in the centre of Toronto where we used to play ball hockey as kids.

Derek Lobo is the author of two books on the rent review system and he is also a small landlord himself.

The general position of the clinic is that we think Bill 4 is wrong. We made a presentation to the minister prior to the announcement of Bill 4 and we indicated that we thought if there was a problem, it could be better addressed by either caps or phase-ins, but certainly not with the retroactivity and the complete cancellation of the existing orders and orders that were to be phased in after 1 October.

I also feel that the bill is of doubtful constitutionality and I agree with the speaker yesterday from the Fair Rental Policy Organization of Ontario in his legal opinion. I think the other problem with the way the bill is drafted is that by voiding present valid orders, there is no mechanism for recapturing those orders if we get new legislation next year that will somehow revive all the orders that have been cancelled by this bill if this bill passes. I think there are procedural flaws in the bill itself.

I will turn to Rob Herman for his presentation.

Mr Herman: My involvement with other small property owners in the province started in 1987 when I participated in the filming of a television show, sponsored by the Ministry of Housing, called the Successful Landlord. This was a show designed to encourage landlords to improve their buildings and their tenant relations within the confines of the rent review act and the Landlord and Tenant Act.

Subsequently, I helped write three booklets and gave a number of seminars to small property owners across Ontario on a voluntary basis, targeted at improving maintenance standards and bettering landlord-tenant relations. I dedicated some of my time to this cause because I sincerely believe that the best way to maintain Ontario's aging rental stock is by providing a climate in which Ontario's property owners can embark on long-term preventive maintenance programs.

This leads to properly maintained buildings that are safe and comfortable for today's tenants and ensures their viability for future generations. Without this type of private sector involvement, Ontarians cannot possibly hope to have the supply and quality of accommodation necessary if we

are to remain a healthy province. Bill 4 is totally contrary to achieving this important objective.

Let me give you an example of the difficulties many property owners are facing today. I have a small apartment building in downtown Toronto. It is 70 years old, and although the building has never had a work order against it in the 10 years I have managed it, the building systems had reached the end of their useful life. The building needed

new plumbing and wiring and required some structural repairs.

For example, the building had no basement, so all the main heating pipes were just laid in the ground under the first-floor apartments. We were starting to lose pressure in the heating system so I knew it was time to replace the main heating pipes, as I had similar problems in another building where pipes were laid in the ground. The problem was that virtually every inch of flooring throughout all the apartments on the first floor would have to be torn up to get at the heating pipes. Can anyone tell me this work was caused by neglect?

This type of work is prohibited under the Rental Housing Protection Act without municipal approval, so I spent almost a year getting the necessary approval to do the work. I also applied to the Ministry of Housing for a grant under the low-rise rehabilitation program. They did an inspection of the building and I qualified for funding that partially offset the costs of the renovations.

Before I started work, I went on to get the written approval of every tenant in the building as to the proposed work plan and the rent increase. The work took a year to complete and I applied to rent review in September 1990. Now I find that due to the retroactivity of Bill 4, I will not be able to recover my expenses, despite the fact that the work was done with the consent of every tenant, the city of Toronto and the Ministry of Housing. Unless I can recover these legitimate and necessary expenses, how can I possibly maintain the rest of the units I manage?

It has also been suggested that this type of work should be financed from profit. But this building has never been to rent review before. While my expenses have risen 127% since rent controls were introduced in 1975, my income has only gone up 80% during the same period. My rents are only \$350 a month. To finance the work I just completed from earnings without increasing the rents would take every dime the building could make for the next 20 years. Now, why would anybody make that kind of investment?

I recognize that there are some problems with the current rent review system, the main one being high rent increases. As I told Mr Cooke, the Minister of Housing, personally before he introduced Bill 4 into the House, why not a cap rather than force landlords out of business? All that Mr Cooke had to say to me was that they had made political promises that they intended to keep.

Mr Cooke said to you on Tuesday that rent increases of 100% to 200% cannot be tolerated. We agree, but that does not mean that you can completely disregard the \$100 million to \$200 million worth of capital expenditures that have been completed in Ontario during the past year. That too cannot be tolerated.

In closing, I would just like to say I truly believe that if the private sector is going to be allowed to participate in the proper maintenance of Ontario's aging rental stock, the government must immediately rethink its hard-line position and not punish us for rehabilitating our buildings.

I would like to introduce the third speaker, who is Derek Lobo. As we explained previously, he is also a small

property owner and has written two books on Ontario's rent review system.

Mr Lobo: Good afternoon, everyone. I would like to tell you a story about the landlords, the tenants and the contractors of 875 Colborne Road in Sarnia, Ontario. It is not a fair story. In fact, it is a very unfair story. Fourteen working men and women, mainly steelworkers, got together to purchase 875 Colborne Road. For most of us, it was the single largest investment we ever made. It is a nice building, the kind you would like to retire to. When we bought the building, your Ministry of Housing calculated the following financial loss and it is up on the overhead. We have a \$64,306-a-year financial loss. This was calculated by the Ministry of Housing with bills and invoices that we submitted to it.

In 1989 and 1990, we spent an additional \$125,000 on capital expenditures in the building. The capital expenditures were not due to neglect, the kind that Mr Cooke talks about so often. After 27 years, the balconies just plain needed to be replaced. The parking lot just needed to be resurfaced. It was not due to neglect.

So I stand here today to tell you that the 14 people you call speculators are going to lose their life's savings because of Bill 4. We will receive no more rent increases for our financial loss. In fact, we will lose \$64,000 per year in perpetuity because our phase-ins have been cancelled. That is \$64,000 a year for ever. The income of the building is about \$225,000. The \$125,000 that we spent on capital expenditures is also gone.

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Many of our tenants do not know that their landlord is going bankrupt. They are in Florida right now. They will have a nice surprise waiting for them next spring when they find their landlord is a warmhearted banker. Do not dare tell me, Ms Harrington, that we made a bad business decision or that we should have set aside money for a rainy day. We made our investment and we did our capital expenditures under the laws of the land, and like in most western democracies we expected to be treated with fairness and with honesty. But the NDP government chose retroactive legislation which unfairly destroyed our investment.

Oh, yes, I said I would talk about our contractor, a young man named Mark who is painting our building unit by unit. He is now out of work. Sarnia is near Minister Cooke's riding. Maybe Mark can go see the Minister of Housing and the Housing minister can tell him about the social benefits of Bill 4 as he points him to the nearest food bank.

Last Saturday I sat in the office of the Minister of Labour, the Honourable Bob Mackenzie, and today I sit before Minister Cooke's standing committee. I have a great respect for both these men, but both men made the following statement, which I put on the overhead. What they said was that construction worker layoffs were related to the recession rather than the new rent control legislation. That is baloney. Personally, I think Minister Cooke should be fired for that statement. It is irresponsible.

Here is the real story. The Toronto Star: "Thank you, Mr Rae. Your proposed rent control laws may have saved me \$25 per month on my rent. Unfortunately, as a direct result of this act, I lost my job," signed Joe Walsh, Pat O'Flaherty, Steve Olmstead, Bill McPhee, Ernie Lancusco, Mike Schuster and Jose Louie Sousa of RAM Restoration.

Here is the real story. The Concrete Restoration Association of Ontario: "Rent controls crush the concrete restoration industry in Ontario." I have circled the section there that says 414 jobs were lost directly because of Bill 4. I would like you to tell me how much money the provincial government has to spend to create 414 jobs. Why are these men and women paying the price for Dave Cooke's ideology?

More jobs lost: Day Restorations, 7 of 35 workers laid off; Oxford Window Manufacturing, 9 of 12 workers laid off; Regal Aluminum, 108 of 200 workers laid off. How much proof do you need? There are 108 jobs lost directly because of Bill 4. It is almost immoral. Shame on you, NDP, for destroying jobs. Shame on you for putting people out of work. Shame on you for misleading the public like this. Shame on you, shame on you, shame on you.

The Chair: Order. I have allowed you a lot of latitude.

[Interruption]

The Chair: Order. I am going to have order in the committee or we will suspend the hearings until we can get order. Another outburst from the people sitting here and we will empty the room.

Mr Lobo: These are the newspaper ads that I have cut out of the paper for the last couple of months. They sort of confirm that job losses are related to Bill 4 very clearly. Next slide, please.

This is an article from the Toronto Star from this Saturday. The Premier said to the business community in Toronto that the Ontario government is not going to stand by and allow jobs to be lost in a recession. There seems to be a communication problem with the Premier's office and the Minister of Housing. The Honourable David Cooke's legislation is slashing jobs left, right and centre; the Premier says his priority is saving jobs.

Finally, I would like you to tell me of the social benefit of this legislation. Some of the 14 owners who are going to lose their life savings have already told me that they have to postpone their retirement and work two extra years in the steel mill because of Bill 4. Where is the social benefit to losing your life savings? The tenants are now going to have Montreal Trust as their landlord. Where is the social benefit in that? Our contractor, where is the social benefit for him?

I would just like to conclude by saying that one of the ways you judge a democracy is by the way it treats its minorities and sincerely, I mean this, the NDP has a fine record on minority rights. You have introduced legislation on native land claims and I commend you on that. You have introduced legislation for homosexual and lesbian partners of government employees. They now get full benefits. I commend you on that. But landlords are a minority too. Big landlords and small landlords, rich

landlords and poor, we deserve to be treated justly. Landlords are a tiny minority in this province. The tenants have an overwhelming majority. I think in a true democracy you do not sacrifice the minority just to appease the majority.

The Chair: Sir, you have three minutes left for your presentation, if you wish to use it.

Mr Libman: Maybe we can add three minutes on to the questions or comments.

The Chair: You want to add it to the questions?

Mrs Y. O'Neill: Could we have those slides on hard copy?

Mr Lobo: We can provide those.

The Chair: Can we have them presented to the clerk and we will have them distributed for you.

Mr Turnbull: Mr Chairman, could we have this removed so that I can see the deputants?

The Chair: Yes, I was just going to mention that. Mr Mammoliti.

Mr Mammoliti: Sir, you mentioned earlier that you had to reface your parking lot in the building. Did I understand that correctly?

Mr Lobo: That is correct.

Mr Mammoliti: You said that it was not out of neglect, that it was wear and tear.

Mr Lobo: Yes, sir. The government tells us that parking lots have a life of 10 years. I believe the parking lot was considerably older than 10 years.

Mr Mammoliti: You said that it was not out of neglect.

Mr Lobo: Yes, sir.

Mr Mammoliti: Can you tell me how much you have spent on patchwork and waterproofing in the past 10 years in the building?

Mr Lobo: Yes. I think every year about \$1,000 was spent on waterproofing. That would be both for the surface of the building and the parking lot, but I think that would be reasonable, yes. This idea of neglect is very ambiguous. What is neglect? You have to define it very carefully. Maybe a work order might be neglect.

Mr Mammoliti: That is what I am getting at. If you have not done that maintenance every year, then I would say that it is out of neglect that you had to reface that parking lot. If you can sit here and honestly say that every year you have done your best to patch that driveway and to take the proper maintenance required, then I commend you for that and I say to you that you are right, that the time has elapsed. It is out of wear and tear and it had to be refaced. If you can honestly say that you have taken the steps for preventive maintenance, then again I commend you on that.

Mr Lobo: I think that your argument is a little bit absurd.

Mr Mammoliti: It is not an argument. I am commending you.

Mr Lobo: Your comment is a little absurd because you assume that you can continually patch something. There is a practical limit to owning an apartment building. There is a practical limit to how you repair a driveway. You can do certain repairs, but the time comes when you replace it. We are not digging up good asphalt and we are not mistreating our asphalt either. It is just plain time to repair the asphalt. You have to just understand that. It is not difficult to understand, but you have to want to listen to that answer.

Mr Mammoliti: Sir, I am commending you.

Mr Drainville: I would like to make a couple of preparatory comments, if I might. I guess the first preparatory comment is that there is a great deal of shame in the province, sir, and that shame is through many buildings in the province that are not kept up. I do not accuse you of that, because I do not know what your buildings are like, but I can say that in the submissions that have been made before this standing committee—and I might add in that context that this is not Minister Cooke's standing committee. This is a standing committee of the Legislature of Ontario with representatives of all parties.

You also indicated some comments about the democratic system and what is fair or not. Sir, you are before this committee and we have the opportunity to listen to what you have to say and it indicates our openness and our willingness to hear you, even though I must say that some of the comments you have made I find highly offensive.

Let me give you a case, sir, and that is the case that most people who live in society today have increases in the cost of living of maybe 4.5% or 5%. What justification can you make for those tenants receiving increases of 10%, 20% or 30%? Those are increases that we have seen right across the board in many of the submissions that have been made here at this committee. We are not talking either about one-year increases. We are talking about those kinds of increases very often over a repetition of years. What I say to you, sir, is what kind of justification can you make when people in our society who are tenants are only getting an increase of 5% in their pay and yet they have to pay out 10%, 15%, 20%, 25% to landlords, sometimes not for one year but for many years?

1650

Mr Herman: May I respond to that? You seem to be forgetting that since 1975, as I said in my speech, my expenses went up 120%; my income only went up 80%. My rents are only \$350 a month. All the tenants agreed to the increase. Nobody objected.

Mr Drainville: I am saying to you that there are tenants who have come here to this standing committee who have not agreed to the increases, who have not agreed to the work that has been done on their building and many of them are on fixed incomes who cannot afford to pay that kind of increase. You say that it is justifiable that landlords be allowed to do that. That is fair enough, sir. It is just that we have a very big difference of opinion in terms of what should be allowable.

Mr Lobo: Can I respond to your question, sir?

Mr Drainville: By all means.

Mr Lobo: I will do them in order. First of all, if you have not accused me of anything, why are you punishing me with Bill 4? Second, you said that you found some of my comments—

Mr Drainville: Your name was not on our mind when we brought Bill 4 to the Legislature.

Mr Lobo: But you caught me in your web and I did get punished.

Second, you found some of the things I said highly offensive. I found Bill 4 highly offensive and I found some of the things that Minister Cooke has said about landlords highly offensive.

Last, about the rent increases, the average rent increase in the province of Ontario is 11%. That means some were above and some were below. We are talking about the political realities of that. The politicians in this province have made rents a political issue. When I sit in the constituency office I hear the phone ring and I hear tenants complain about their rent. When the price of gas goes up or the price of some other commodity goes up, the phone does not ring, because that is not a political issue. You people have made it a political issue and that is why it is a problem. If we did not have rent controls in this province—

Mr Drainville: Sir—

Mr Lobo: Just hear me out for a moment. If we did not have rent controls in this province, if rents went up 11%, I bet you your phones would not be ringing, but you guys have made it a political issue and it is only that in Ontario.

Mr Drainville: You have made your point and I have to say that in terms of how we have approached Bill 4 and the legislation that we are going to be bringing in, that is utter nonsense. We have not made this a political issue. It has been an issue in Ontario for many, many years.

Mr Lobo: The government has made it an issue.

Mr Drainville: If you would come here, sir, every day and spend time here when the tenants are giving their briefs and listen to the kinds of stories that they have been giving to the standing committee, you would see that as well.

Ms Harrington: Thank you for coming Mr Herman and Mr Lobo. You mentioned minorities and I would just like to say that, yes, landlords are minorities and what we are trying to do is restore some kind of balance in the province of Ontario with regard to the rights of tenants and landlords. We want to restore a balance. The whole issue of fairness that you are stating is our issue as well. I would like to say that it has not been fair in the province of Ontario. If you would like to compare, say, the number of buildings lost to their owners as compared to the number of apartment homes lost to their residents, then you will see the type of fairness that we are dealing with.

I would just like to end by saying that this process is open to you in finalizing the long-term legislation and we would like that to be open to you, both of you.

Ms Poole: I would like to thank you for your presentation today. Unlike the members opposite, I did not find your presentation offensive. I found that you spoke with passion and conviction, but I do not necessarily think that those are bad things.

The case you mentioned of the 14 steelworkers who have been caught with the retroactivity provisions, you alluded to the fact that the financial institution would be taking over the building. Is this in fact the case that it is going to mean such a financial penalty that your 14 friends will not be able to maintain the building, will not be able to hold on to the ownership and will surrender it?

Mr Lobo: Yes. It is actually 13 friends and me. You have to look at sort of in the cold, white light of reality that this building is going to lose \$64,000 per year and the NDP government is going to be in power for the next five years. That is well over \$300,000 that we are going to lose on this building. When we look at it in that light, it just does not make sense to own it. I hope that you can just see that. We are going to have to walk away from the building. We do not have \$300,000. We are not going to get our phase-in orders. Yes, we are going to lose the building.

Ms Poole: I happen to have a building in my riding which some two years ago faced financial difficulties and the landlord went into bankruptcy. It was taken over by the financial institution. The city of Toronto has liens on it. I have had nothing but daily headaches from that building. If the tenants have to undergo situations like this where the bankers take over the building instead of landlords operating the building, I can assure you, members of the NDP, that tenants are not going to look favourably on this Bill 4 any more than the landlords or the investors or the renovators or those who have lost their jobs.

I had a couple of other questions, but I think Mr Brown actually had some as well.

Mr Brown: There has been some discussion at this committee regarding flipping. You bought this building recently. Do you know when the last sale of this building was before your purchase?

Mr Lobo: Yes, actually I do. We bought the building in June 1989. The sale before that was in 1981, but something very interesting happened. When I met the tenants, the tenants said, "You guys keep flipping that building over and over again." What happened was the building was owned by people out of the country. They changed property managers about four times and unfortunately the cheque had to be made out to someone else, so somehow they got caught up in the idea of flipping. You have to be very careful when you use this term "flipping." I have never heard anyone in the government define "flipping," yet I hear Premier Rae say "flip after flip." You have to define it first. If you sell a building after 10 years, is it a flip? No. But to answer your question, it was nine years the previous owners owned it.

Mr Brown: In your experience, and I am addressing this to the whole group, I am not sure who would answer, but in your group where you have a lot of small landlords seeking advice, how many of them would you think might be in some kind of flip situation where they have bought it

recently and it has been turned over a number of times? Is that something you see?

Mr Lobo: In the portfolio that I manage there has not been a sale in the 10 years that I have managed the company.

Mr Brown: I see. So at least in the small landlord sector you do not see it as something that is prevalent. I also have great difficulty in defining "flip." I do not know what the government talks about when it talks about "flip." I do not have any idea, I do not think anybody does, in what they really mean. We have no idea on this side what they are talking about and therefore nobody knows whether it is increasing or decreasing, because they do not want to define it for us.

I am wondering, what about economic eviction? We hear quite a bit about economic eviction. Obviously you deal with landlords. What kind of turnovers are there in your buildings? Is it because of economic factors that people are put on the streets, so to speak, something that is a very difficult problem?

Mr Lobo: In the building that I was talking about the average one-bedroom rent before was \$390. The rent increase that we asked for, which we are now not going to get, would have brought the rent to \$468. We have a Christmas party in the lobby each year and when we met with our tenants, one of the things that we tried to bring across to them was that if anyone was going to have a particular economic problem, to write us and please outline it. None of them wrote to us. Some of them moved. I do not know whether they had an economic problem or not, but none of them wrote to us.

I am not saying all landlords do that. It is the first time I have ever done that in one of our buildings. But we did do it and they did not complain. A funny thing happened. We have a lot of post-dated rent cheques now for \$468, the higher amount, and the tenants are in Florida and we cannot give it back to them, so we have to cash the higher cheque. Bill 4 has taken away our rent increase.

Mr Brown: Maybe you could just elaborate a little bit for me on this self-help landlord group. Tell us your main functions and what the main problems are you face with the group.

Mr Lobo: As I indicated before, we are funded by legal aid. We provide assistance to small landlords who come to the clinic. Out of the 65 clinics that are funded by legal aid, we are the only clinic that assists landlords. All the other clinics assist tenants or deal with other speciality problems.

The major problem we deal with is problems between landlords and tenants over non-payment of rent, noise, dogs, pets and that kind of thing. But we also now have the problem, because of the rent control and this particular bill, of people who have to do repairs, because it is their own house, they are living there themselves, and they were expecting to be able to apply to get that given back to them over a number of years through the existing legislation and now cannot do it. They have the real difficulty, because they were expecting to go to the bank and, on the basis of the legislation, borrow the money, and now the banks are

saying, "You can't have the money because you can't pass it on."

Those are the major things we do at the clinic. We do not have a staff lawyer. We are one of the very few clinics in Ontario that does not have a staff lawyer so we do not actually go to court for people who come in. We just provide advice to them and we manage to deal with 18,000 a year.

1700

Mrs Y. O'Neill: I am sorry I was not here at the very beginning. I would just like, if I have a second, to have that last statement you made regarding the fact that you cannot cash the cheques explained a little bit better.

Mr Lobo: Yes, we had proposed a higher rent increase, \$468, as of 1 November. Many of our tenants give us post-dated cheques because they go away for the winter. They gave us the rent we asked for, but then Bill 4 came out and now we have to reduce the rent back to the old amount plus just the guideline, so it is almost ironic that we are sitting here holding these cheques for higher amounts and the tenants really have to pay lower amounts.

Mrs Y. O'Neill: You would base those amounts on orders that you had?

Mr Lobo: No, they were proposed amounts. But it takes a long time to get the order, unfortunately, and the tenant has the option of paying the proposed amount or the old rent plus the guideline.

Mr Tilson: I have two questions, one for the first speaker, Mr Libman. You have had some experience in law, it appears.

Mr Libman: A few years' worth.

Mr Tilson: You have made some comments which I happen to agree with, that the legislation is probably of doubtful constitutionality. I would like to ask you a question about a subject which I do not know whether you have directed your thinking to, and that is misrepresentation.

I am thinking specifically of an individual, for example, who goes to a building inspector to put up a building. The building inspector from whatever municipality says, "You've got to do this, this and this." The individual does it, finds out it is wrong, and there are judicial decisions that I know of at least where that building inspector or the municipality has been held liable.

I do not know of any similar legislation against the province of Ontario, but obviously the existing legislation probably stemmed from the accord in 1985, with the approval of both parties, even though I think everybody agrees now that it did not work. Here we have an individual such as yourself, Mr Herman, who followed the law, did as he thought the law was and we have a government suddenly coming along and saying it is not going to uphold the law. In fact, it is going to change the law, even though he honoured the law.

My question to you is, and it is probably unfair but I will ask you anyway, whether you think, using the same comparison of the building inspector, there is any type of misrepresentation on the part of this government if Bill 4 is passed.

Mr Libman: I actually tried the argument out on Tuesday on a judge in family court. I told him I was going to make this presentation and I presented the scenario where you applied under Bill 51, you got an order, perhaps approved by court if it went that far, and now the government has proposed another bill that basically cancels that order, even though it has been approved by the ministry, by the hearings board and then by the court.

He unequivocally said: "That can't be. That can't be right." He volunteered the information that that would be unconstitutional, and I agree. I do not think that where you apply under the existing law, you get an order perhaps approved by the court or not, the government can then pass another bill and say, "By the way, that order is now void." It may not be misrepresentation but certainly it is reliance upon the law at the time.

Mr Tilson: I submit that the government may be responsible for his damages.

Mr Libman: The lawyers will have a lot of fun with that.

Mr Tilson: There is no question and we hope the government will come to its senses. I hope Minister Dave is listening.

The second question I have is to Mr Lobo. The minister has stated in the House the main reason he is passing this legislation, and this question was raised before with respect to flipping and luxury renovations. That seems to be the main reason, at least from his comments in the House. You have indicated, of course, that that is just not the case, but I would like you to elaborate some more on that subject.

Mr Lobo: Yes, I think when Minister Cooke brought in Bill 4, he said it was to stabilize the market. That assumes the market was unstable. He used probably three reasons, the first being 150% rent increases. The gentleman from AFFORD, I think, talked about that quite well. They just do not exist. The solution was simply that he needed a cap.

Then he talked about luxury renovations. Again, the solution is extremely simple: Define a luxury renovation and do not give the landlord a rent increase for the luxury renovation. He did not need to be a rocket scientist to figure out that solution and he did not need Bill 4.

Finally, flipping: If the government would define flipping, we could give them a solution.

We did not need Bill 4. We had three problems that he defined, and all three were solvable. Bill 4 was brought and covered the whole province.

Mr Turnbull: Mr Lobo, in regard to the group of people who invested in this particular building that you described, the 14 people, what was the largest amount of equity that anybody put in?

Mr Lobo: Forty thousand dollars.

Mr Turnbull: Did that represent in many cases their life savings?

Mr Lobo: Yes indeed.

Mr Turnbull: Is there any doubt in your mind that if they had thought that they were acting illegally they would not have gone into it?

Mr Lobo: Absolutely. Most of us wish we had not made the investment.

Mr Turnbull: So you would not make that investment today?

Mr Lobo: Definitely not.

Mr Turnbull: If this bill passes, do you foresee any private citizens investing in real estate in this province, in residential real estate?

Mr Lobo: I know of very few sales of apartment buildings since 6 September.

Mr Turnbull: Would you agree with the numbers that have been batted around in these hearings that probably something in the order of 25% has been reduced from the value of buildings as a result of Bill 4?

Mr Lobo: Yes, depending on the locality. But yes, 25% might be a reasonable number for the province.

Mr Turnbull: Would it be reasonable to say that many buildings are financed to the extent of, say, 75% or sometimes more?

Mr Lobo: I believe 75% to 85% would be the standard for a sale in the province.

Mr Turnbull: It has been asserted by the NDP that the reason that people will accept very low returns on their investment is due to the phenomenal capital increase. Is it possible to have capital increase without the flow-through of the financial loss clause?

Mr Lobo: No, it is not.

Mr Turnbull: You are saying to me that the argument that the NDP is making that the offset to the very low income that the people are making after several years is only possible as long as you allow that financial loss?

Mr Lobo: Yes, and I think what they are trying to say is you make the money on your sale.

Mr Turnbull: Yes.

Mr Lobo: It is like sort of telling a farmer, "Don't make any money now farming, but when you sell the farm, you'll make a lot of money." That just does not seem to make any sense.

Mr Turnbull: It appears to be a 20% increase that you applied for, from \$390 to \$468. Is that right?

Mr Lobo: Yes, sir.

Mr Turnbull: Can you tell me what you did with that?

Mr Lobo: Yes. Of the \$125,000, balconies were the major cost of about \$60,000. We put in a new security system for the benefit of the tenants; we put in new emergency lighting; we replaced the windows on the top floors, as they tend to get draughty; we did the driveway, and we did light fixtures and painting of suites.

Mr Turnbull: Were any of these items, first, ones that could have been saved if there had not been neglect? Is there any suggestion of neglect?

Mr Lobo: Well, you can subscribe to Mr Mammoliti's theory of driveways. I do not. But no, it was not due to neglect. The building was 27 years old.

Mr Turnbull: Quite so. And was there anything of a luxury nature in it?

Mr Lobo: Absolutely not.

Mr Turnbull: So you are saying that your people bought it legitimately, within the framework of the law, they invested their life savings, they did not do any luxury renovations and still they are faced with losing their life savings?

Mr Lobo: That is a very succinct and accurate description of what our investors face.

Mr Turnbull: Thank you, Mr Lobo.

Mr Tilson: One question. I do not know what your experience is with investors. I am thinking specifically of the banks and the trust companies. The government is saying that the reason that the banks and the trust companies are not going to finance the landlords is not because of Bill 4 but because of the collapse of the real estate market and because of a recession. Do you have any thoughts on that?

Mr Lobo: Yes, I sure do. The apartment building industry is outside of the mainstream of the economic ups and downs of this province. Rent controls made sure of that. Incomes are controlled. You cannot charge the market rent. Because of rent controls, you have taken the apartment stock out of the main economic flow and you have put it over here. Had we not had Bill 4, there would not have been a reduction in the value of apartment buildings. You do not need to be an economist to know that.

The Vice-Chair: Thank you very much for your presentation. I am sure the committee found it extraordinarily interesting.

1710

Mrs Y. O'Neill: Mr Chairman, before we have the next presenter, may I ask some direction from you? We have received a letter from the Minister of Housing and I do have some further questions. Although I think he has tried to be helpful, I have two very specific questions that I would like to place about this letter. Would you give me some instructions as to when you would like me to do that?

The Vice-Chair: Would you like your questions on the record, Mrs O'Neill?

Mrs Y. O'Neill: Yes, I would.

The Vice-Chair: In the interest of the presenters, it might be wise to do this following the presentations today. Would that be satisfactory?

Mrs Y. O'Neill: I am asking for direction.

The Vice-Chair: I think that would be accommodating to everyone.

Mrs Y. O'Neill: As long as you or the Chairman do not forget.

The Vice-Chair: I am sure you will remind the Chairman if I am not here.

R.A.M. RESTORATION

The Vice-Chair: Our next presentation is from RAM Restoration, John Makuch. Welcome to the committee, sir. If you would introduce yourself and explain your position in the organization, you have 20 minutes, 10 minutes to be spent on the formal presentation.

Mr Makuch: My name is John Makuch. I represent RAM Restoration. I am president of that company. I am here today speaking on behalf of my partners and past and present employees.

Good afternoon, Mr Chairman and members of the committee. I am president of a medium-sized company specializing in concrete rehabilitation of balcony slabs, underground parking garages, brick repairs and structural deficiencies.

My partners and I started our company in September 1986. The first year we did all the administration and labour ourselves. We based our company on honesty, integrity and quality workmanship. In the year that followed we increased our labour force to eight and steadily gained a reputation in the industry as a company that cared about its customers and its employees.

In year three we had to turn down work, as we could not find enough people to employ. We still had a very good year and felt the worst was over and we were now on our way to becoming a success. The word "success" for us, however, did not mean big salaries, fancy cars and luxurious vacations. We did all the things that we felt smart businessmen should do. We reinvested our money into the company for equipment so we could become more efficient and make work safer for our employees, because not that long ago we were in their shoes, or should I say, in their work boots.

Please do not misunderstand me, Mr Chairman and members of the committee. Things were not always rosy. As with any business, there were always ups and downs. There were many times that, due to cash-flow problems, my partners and I went without so our men could be paid.

We also took pride in the fact that with our success we could do more for our community by giving to charities and supporting groups that were less fortunate. We supported the Oakville-Trafalgar Lions Club, which runs a summer camp for the blind and donates money to a number of different individuals who need help. We also sponsored junior T-ball teams two years running and took an active role in the coaching of these children. This to us was success. This made us proud. But the most important thing to us was the fact that we employed people and gave them a future and something they could be proud of.

We are now entering the end of our fourth year and it too was successful. We managed to double our staff and at one point held 35 people in our employ, and 30 out of the 35 are renters.

The company was, and I stress the word "was," on a steady upward climb. It had accomplished what we had set out to do. Our clients were pleased with our service and our quality in the field. They were impressed with the conscientious behaviour of our crews while on their sites. This was reflected in discussions and negotiations regarding

upcoming projects in 1991 totalling approximately \$2 million.

As of 30 August 1990 everything was looking pretty good for my two partners and I. We started to make plans to hire more staff in anticipation of the upcoming year. We had just signed a contract for a job in Hamilton for approximately \$200,000. It was to start 15 September 1990 and would have employed seven people for four months. We were a little puzzled at all this good fortune, because we were aware that we were heading into or were already into a recession, but talking to our clients, it became clear that this work would proceed regardless.

You can imagine our excitement, Mr Chairman and members of the committee, at the outcome of this information. It would mean that we could employ tradesmen and labourers laid off from other industries that were directly affected by this recession. One major problem was now behind us. We knew we would be able to find the extra employees we would need to execute the upcoming projects.

Then, on the morning of 13 September 1990, I received a fax from one of my clients and this is what it said:

"Mr John Makuch, RAM Restoration...Dear Mr Makuch:

"Re: 140 Robinson Street Hamilton—Parking Garage:

"Due to the recent provincial election and to recent information which has come to my attention in respect to the new government's plan concerning rent controls, we must postpone all work contemplated for 140 Robinson Street, Hamilton, Ontario."

I do not follow politics that closely and, to tell you the truth, I did not know at that time the NDP policy on rent control, but after a lengthy conversation with this client, I had a pretty good idea. Our company and all of our employees were in serious trouble.

Over the next four weeks our worst fears came true. All negotiations had ceased and any talk of upcoming projects had come to an abrupt halt. The feedback was all the same: "If we can't recover costs, how can we proceed with major repairs?" The 1991 season, which had looked so promising, had become a nightmare. Instead of hiring, we were cutting staff. Other companies we knew were in the same situation. All this, and the new government had not even made a statement at this point, but it was soon to come. Wednesday 22 November the knockout blow was delivered, and since that day it has only got worse.

Our company's workforce has declined steadily to seven. There are no jobs pending and no talk of any work coming up, all this before Christmas. I have spent the last four weeks calling consulting firms and engineering companies, and when I ask them if they are in the building consulting business, they say sarcastically, "We used to be."

As you can see, this legislation is affecting more than just the restoration and renovation industries. I wonder if any of you have had to ever look at someone in the eye and tell him he no longer has a job, when that someone you know has a family. How do you think it feels when he asks you, "What am I going to do now?" and you do not

have an answer? It becomes much harder when it is not your fault, when you know you have done everything you can to secure contracts so he can keep working.

There is one task still left that will be harder than this, however. I have to tell my family that soon I may be out of work. I am going to have to look at the faces of my children while we move out of our home. As I said earlier, I did not take a large salary and I do not have a large bank account to draw from. If our company goes bankrupt, I may have enough money to last six weeks and then I will be a renter too.

This proposed legislation, in my opinion, is totally one-sided. There must be another way to protect the tenants of this province without sacrificing hundreds of businesses and thousands of jobs.

Do they not understand that the safety of the tenants is at stake? I know. I have seen structures in this city that will not last more than two years. I am not talking about countertops, plumbing fixtures or the painting of hallways for aesthetic reasons. I am talking about the structural integrity of the buildings. Does someone have to get hurt or even die before this government will admit that this legislation was and is a mistake?

The new government was elected by the people for the people. They said time after time that they were for the working man and that they were going to show the people of this province that they would make a difference. All they have shown my partners and I and the people who used to work for us is that they are a bunch of hypocrites.

They have also shown me that they are discriminating against the landlords of this province. They say a few have spoiled it for the rest, they say landlords are raising rents 100% and 150% and make it sound as though all landlords are at fault when their own figures show this is not true. They must be either exaggerating or lying. Which one is it? It does not matter. They are both wrong.

1720

The Chair: Sir, thank you very much for your presentation. We will start our questioning. I believe Mr Turnbull is first.

Mr Turnbull: In your estimation of the work that you undertake, could you tell us whether any of it is due to neglect and lack of repair by the landlord?

Mr Makuch: No.

Mr Turnbull: So it is of a nature that it is just simply the age of the building?

Mr Makuch: I would say that neglect probably leans more towards the inside of the units. You cannot neglect a balcony. There is only so much you can do to it. You cannot neglect an underground parking garage that was built in 1965 or 1970.

Mr Turnbull: The effect, as I understand it, is that water mixed with salt leaches into the rebar and then there is a spouting between the cement and the rebar and it becomes structurally unsound. Is that correct?

Mr Makuch: That is correct. The salt that we use on our roads is carried in by the vehicles. It puddles and runs

into the concrete through cracks or just is absorbed by the concrete itself.

Mr Turnbull: Certainly not a fault of the landlord?

Mr Makuch: No.

Mr Turnbull: Okay. Is it something we could have foreseen at the time?

Mr Makuch: I think that the gentleman who spoke earlier today may have made it clear that at the time of constructing these buildings no one was aware of this problem. No one knew that this was going to happen. Now there are steps that can be taken, but only in the buildings which are being constructed now, and as we know, there are not too many of those.

Mr Turnbull: If you were having to fix an underground parking garage of, let's say, a 100-unit apartment building, typically what might be the bill if it was a significant problem.

Mr Makuch: It could cost anywhere from \$250,000 to \$500,000, and depending on the structural damage, how bad it was, it could cost even upwards to \$1 million.

Mr Turnbull: So it could be in the order of 30% to 50% of the original cost of the building?

Mr Makuch: No doubt about it.

Mr Turnbull: Okay. Is it value? I mean, once having done this, is it something which is going to last for a good number of years?

Mr Makuch: Yes, it will. There are steps that are taken now. Any rebar that is corroded beyond a certain percentage is replaced now by Teflon-coated or epoxy-coated steel, and once the concrete is put back into place there are certain steps which are taken to protect the concrete to keep water from penetrating the slab. There are various steps that can be taken.

Mr Turnbull: Let me ask you, how many years did you say you have been in business?

Mr Makuch: I have been in the restoration business for 17 years and I have been in business with my partners for ourselves for the last five.

Mr Turnbull: Five years, okay. Now, when you bought your equipment were you buying new equipment?

Mr Makuch: Yes.

Mr Turnbull: Were you immediately putting money aside into a fund to replace that equipment?

Mr Makuch: No.

Mr Turnbull: Could you have afforded to have done that?

Mr Makuch: I doubt it.

Mr Turnbull: So the suggestion that somehow the landlords, having started a business with a building, magically would have had some extra funds to put away is a fallacy?

Mr Makuch: I think it is kind of silly because if we did not know back then, when these buildings were constructed, what was going to happen to them—I am sure that if the builders and landlords knew, they may have, but

they had no idea that 20 years from then we would be facing problems like this.

Mr Turnbull: What would you say to the government? I mean, we have the problem on this side of trying to explain to our friends in the government that we recognize they have very little business experience and come from union backgrounds or social worker backgrounds, and that is good, that is to be commended, but they do not have the experience of business to be able to understand how you—

Ms M. Ward: I object.

The Chair: Do you have a point of order?

Ms M. Ward: I think Mr Turnbull should find out where we come from before he makes such broad statements.

The Chair: That is not a point of order. It is certainly a point of privilege.

Ms M. Ward: It is a point of privilege, then. I do not believe you have, obviously by your statement, determined that.

Mr Turnbull: I withdraw it, Ms Ward. Let me put it another way.

The Chair: The matter has been withdrawn.

Mr Turnbull: How would you advise the government as to how you can tackle this very difficult problem, that undoubtedly some tenants are facing, as we have heard, economic eviction, and yet at the same time we are draining the ability of landlords to be able to do capital repairs? What would your advice be?

Mr Makuch: Well, I am not an expert on this issue, but after all the work disappeared and our company is in the position that it is in, you can bet I was on the phone trying to find out from some of my clients: "What is it going to take for you to start these projects again? What is it you need? The norm and the talk seemed to be, first of all: "Kill Bill 4. There's no way any of this will go ahead."

Mr Turnbull: Let's assume that if Bill 4 is enacted in its present form, even if there is provision in the permanent legislation for capital costs to flow through to tenants, do you think landlords will quickly have enough confidence in the government that it will not retroactively take that provision away?

Mr Makuch: No, sir. If Bill 4 does pass, even if the government does work hard to get this thing rectified and does not use up the two-year period, one year is too long. There will be companies out there, mine and other ones, that just will not make it. I know that there are landlords—I have been here for the last three days to become accustomed to what I would be up against today, and I saw a gentleman break down and weep at this table. I am sure that he will not last a year. If one company goes bankrupt and we lose one job, if one landlord loses his life savings, it is too costly.

Mr Turnbull: How would you help those people who are being pushed out of their homes through economic hardship? Is it government's responsibility?

Mr Makuch: I think so, yes. If renters do not have a roof over their head, then I think it is up to the government to subsidize them. That is what they are there for. It is not up to the landlords and it is not up to me.

Mr Tilson: I do not know what it is going to take for the government, for Premier Bob and for Minister Dave, to understand the horror stories that are going on in this province.

The Chair: The time has expired.

Mr Tilson: We are having people going down the tubes. The province is going down the tubes. It is time to listen.

The Chair: Thank you very much.

Mr Mammoliti: It is coming to a point where I know what Mr Tilson is going to say every time he opens his mouth. I would like to ask you, is it 17 years you are in the business?

Mr Makuch: Yes, 17 years.

Mr Mammoliti: In those 17 years I am sure that you have had your share of property managers who for some reason or another, after you have investigated a potential job, after you have given them an estimate, did not want to do the work. Am I safe in saying that in those 17 years you have never walked away from a property manager who has said to you, "No, I do not believe you," or, "I am not going to do that particular work that you are saying is required"? You never walked away shaking your head, saying: "I wonder why? I mean, that's so important for him or her to do, and they do not want to do it"? You have never, ever come across that scenario?

Mr Makuch: No. I heard you say earlier today that you are from the labour industry, so you must know that three quotations are always given. They ask for your opinion, your expertise, on all these quotations, and sometimes the opinion varies as to what caused the problem or the method to fix it. I have heard them complain a lot about how much it costs, but I have never heard them say, "No, I am not going to do this work."

Mr Mammoliti: Are you saying to me that after you have given the quotation you never go back to see whether the work has been completed or who has done the work?

Mr Makuch: I will sometimes follow up to see who got the quotation, who is doing the work and if the work has proceeded. Most times somebody else has got the work and the work has proceeded.

Mr Mammoliti: Let's go back to my original question. I asked you whether or not, after you have recommended something be done, a property manager has said no to you, "I'm not going to do it." In 17 years, are you telling me that has never happened?

Mr Makuch: Are you asking me if I have lost a contract to another company?

Mr Mammoliti: No.

Mr Makuch: Then what are you asking me?

The Chair: We are relating to Bill 4, as I was instructed to remind the committee.

Mr Mammoliti: He is not answering my question.

Mr Makuch: I do not think he is making himself clear.

Mr Mammoliti: The question I am asking you is this: After you recommended a certain job be done, have you ever run into the situation where a property manager has said: "No, I do not want to do that particular job? I do not want that done on our premises."

Mr Makuch: No.

Mr Mammoliti: You have never run into that situation?

Mr Makuch: No.

Ms Harrington: The type of work you do is restoration. Is it basically the same as the other company earlier this afternoon?

Mr Makuch: Yes, we are involved in exterior wall surfaces, some roofing and underground parking garages.

Ms Harrington: Okay. Well, then I would say to you that the work you are doing is absolutely necessary. It is important and it should definitely be ongoing.

Mr Makuch: If I may add, I wish it would continue.

Ms Harrington: Right. And—

Mr Makuch: It is not.

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Ms Harrington: There is only one point where we differ. I think we would agree that it does not happen overnight that this work needs doing; it is an ongoing thing. Now, we would agree that all of a sudden in this particular year, every building does not happen to need this type of restoration work.

Mr Makuch: Not every building, no.

Ms Harrington: Right.

Mr Makuch: Some need more than others and some need different things.

Ms Harrington: Certainly. This is an ongoing problem; right.

Mr Makuch: Some of it is due to environmental conditions, as you heard earlier today, and some of it is due to poor construction in the 1960s and the 1970s.

Ms Harrington: I see, which may be 20 years later, that at this particular time we may have a bulge in the amount that needs doing, which is unfortunate.

Mr Makuch: Yes, maybe at that particular time they did not have the right anchor bolts or the anchor bolts just do not last. Now we can use stainless steel, we can galvanize—

Ms Harrington: Okay, but the person who owns this building that needs this work is in there for the long term. They are in there also with the equity in that building. They do not want to see this building destroyed, and according to law they have to keep this building in a state of good repair. I do not know all the details, but that is the way it has to be, whether or not they get the money from the rent control regulation.

All I am saying is that we agree that this work has to be done and that this is common knowledge. The only place where we differ is where this money comes from. It does

not necessarily have to come in this particular way that they have been doing it with the RRRA for the last five years. They have to do it another way.

Mrs Y. O'Neill: I am very pleased that Mr Makuch came before us. I find this brief very unfortunate and I am moved by it. When I see that only 7 out of 35 employees remain—

Mr Makuch: That was only the 35 employees we had on staff. That did not take into consideration the extra staff we would have been hiring to take care of a lot of the upcoming work.

Mrs Y. O'Neill: Thank you for your clarification. You say you have been in this business for 17 years and.

Mr Makuch: Seventeen years. I started off as a labourer in this business 17 years ago.

Mrs Y. O'Neill: You have been an owner for five. You obviously made a very difficult decision five years ago to take some risks and to make some investments in the province and to help those labourers whom you felt had the skills that were needed. As I said earlier, I understand this submission, because I have experienced it very close to my own home. We now have a situation where you cannot continue and to me this is certainly more than regrettable.

I am very pleased that you submitted one of your—I do not know whether you call it a work order or an invoice or an estimate.

Mr Makuch: That is a contract, a signed contract.

Mrs Y. O'Neill: Okay, because I noticed in two places, and I cannot say I have read every single word of it, that you have given advice to your property manager that this method you are suggesting would be cheaper than and just as effective as, and in two places you have made that statement.

Mr Makuch: Yes.

Mrs Y. O'Neill: So I feel that you are certainly not, and I do not like terms, but you are not a gouger; you are an honest businessman with efficiencies. You have also obviously done some retraining, because these are relatively new technologies that are being applied.

Mr Makuch: We are constantly retraining our personnel and training new personnel.

Mrs Y. O'Neill: This is what I find difficult, because these are the kinds of partnerships that I feel government should be involved in. I feel that without these kinds of partnerships we are not going to be a very progressive province. I hope that in some way you will get re-established. I certainly hope that we can have some amendments to this bill. I hope that we can restore the confidence of the people who now are not proceeding. You have asked them for answers. I do think Bill 4 has made a crucial change in the thinking of many people. Please continue to work with those of us who believe in the same things you do.

Ms Poole: Thank you, Mr Makuch, for coming before us today. If you were feeling confused by one of the previous member's questions, please do not take it personally. There were quite a few of us who were confused.

Mr Makuch: I noticed that.

Ms Poole: I just wanted you to feel a little better about that. There are a couple of things I want to explore with you. Leaving aside those that you planned to hire if your other contract had gone through, your workforce has gone from 35 to 7. Were any of those jobs lost as a result of the recession or were they all strictly because of Bill 4?

Mr Makuch: Strictly because of Bill 4. There were no jobs lost in our company due to the recession. As I stated in my speech, we were looking forward to hiring more staff in 1991. We had one contract signed, as you can see, that would probably have taken place and been finished in 1990, but the 1991 season was looking as though it would be our best ever.

Ms Poole: I have one other matter.

The Chair: Very short.

Ms Poole: Okay. Ms Harrington was saying that the landlord is responsible for keeping the building in a good state of repair, and therefore if the work has to be done, if it is crucial for the safety of the tenants, then it must be done and he is responsible for doing it whether or not he or she has the money. Would you give us an estimate of what it costs to do, for instance, an underground parking garage rehabilitation. Give me the smallest job you have ever done and the largest job, or the largest job you know of, the cost in those terms and tell me whether you would think it reasonable that a landlord would have to be responsible for paying that out of his own pocket whether or not he or she has it.

Mr Makuch: The smallest job we have probably done is to come in and fix a few parking bays. That may be two stalls where cars park. That may cost anywhere from \$1,000 to \$1,500 to \$2,000. The largest job that we have been involved with was \$450,000 and that was a total removal of a whole suspended slab. That means the floor and the ceiling that split the garage into an upper and a lower level was completely removed and new steel replaced, formed and then poured with new concrete.

The Chair: Thank you very much for your presentation today and for working with the committee.

ASSOCIATION OF CANADIAN REAL ESTATE SYNDICATORS

The Chair: The next presenter is the organization referred to as the Association of Canadian Real Estate Syndicators. Please come forward and take a seat. If you have seen the proceedings this afternoon, you will know that we have allotted your organization 40 minutes, 20 minutes for your presentation and a further 20 minutes for questions from the committee members. We would ask that you identify yourself and the position that you hold with the organization, and the floor is yours.

Mr Nairne: My name is Michael Nairne. I am president of the Association of Canadian Real Estate Syndicators. My apologies for not having a written submission for you. I was only notified of our appearance here late Tuesday and was out of town until this morning and, I think like many of us, spent a relatively long night watching the television.

Our association represents builders, security firms, financial institutions, property management companies and professional firms involved in the creation, marketing and management of real estate investments to Canadian investors. In essence, through the securitization of real estate, we make real estate investments in either the form of a condominium unit or a partnership or undivided interest in a large building available in affordable unit sizes to individual Canadian investors.

Our investors, in other words, are consumers of financial products here in Ontario. They represent a broad section of the middle class—teachers, nurses, policemen, public service, business owners, professionals and even politicians.

I am actually here not representing our industry; I am actually here representing those consumers. Their motivations in investing in real estate are really no different from people investing in their registered retirement savings plans. They are looking to provide for real capital growth after inflation to help fund their retirements. It is part of building a quality of life for them.

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In Ontario in the residential sector over the past 10 years, it is these investors who have dominantly been responsible for the funding of the bulk of new condominium rental projects. By condominium rental projects I mean projects that are built from scratch as condominiums but where from day one the entirety of those buildings through the syndication process are actually leased out and rented out. Individual investors own condominium units within it that are in turn leased. The advantage to the investor is that he is able to participate in a large project with active management in place and passively deal with his investment.

These investors are neither flippers nor speculators. The expected holding horizon for these investments is five, 10, 15 years or even longer. Their yield expectations are not exorbitant, typically in the midteens, several points higher than GICs and competitive with other growth investments such as equities.

It is the billions—by our calculation it could be as much as \$4 billion to \$5 billion over the past five years—that these Ontarians have invested in the residential rental sector over the past five years in this province that allowed our rental housing sector to expand to accommodate the incredible growth of this province. It is their capital, their retirement moneys, which financed the creation of thousands of jobs in the construction, building materials, finance and real estate industries. It is the levies that were paid on their projects which have financed new schools, roads, the very infrastructure of our communities. Absent these investors and a rental housing crisis of unheard-of proportions would have occurred. In fact, with the recent economic downturn, the sheer quantity of rental condominium units built has created an excess supply at the top half of the rental market.

Rents are falling in the \$500 to \$1,000 range for most rental projects in this province. Discounts and giveaways prevail. A competitive market is creating choice and economies for tenants. For the investors, however, it is a

different story. Given high capital costs and high interest rates, these projects typically lose money in their initial years of operation. An oversupplied market is increasing these losses today. Rents already economic have become punitively so.

The only bright light, however, was that under the previous rent review system rent increases above normal were allowed to recoup such losses. Let me make it plain. By "above normal" I mean 8% to 10% annual increases, not huge, double-digit jumps, but increases that over time allowed an individual to turn an uneconomic investment into an economic investment.

Unfortunately, we must now advise these investors, consumers of financial products here in Ontario, that the government intends to eliminate this provision. Rent increases will be set at uneconomic levels regardless of loss. With a government on record to replace the review system with one of controls, with a history of temporary rent relief becoming permanent, the interim nature of this move is debatable. In any event, investors will not believe it. This shaken confidence will rapidly be replaced by financial distress and disbelief as the rental market improves as we go through the upside of a cycle during the early 1990s. If they remain locked into economic losses rather than returns, investors will uniformly be selling and abandoning this area just as private capital is required for new units. Some, unfortunately, in the process may even face foreclosures and bankruptcies.

In this process, we as a society will all be losers. Investors who would prefer to invest at home here in Ontario will be putting their money into new real estate projects in Alberta, Texas or Florida. Globalization has created horrendous competitive choice for capital. The government, facing increasingly constrained resources, cannot afford to replace all this private capital. The money is simply not there. Waiting lists will grow, not decrease. Construction, real estate, finance and other jobs will be created elsewhere, not in Ontario. With insufficient rental accommodation, home ownership prices will be forced up as people are pushed out of a rental market. The biggest losers will be the very constituents our society needs to help the most, the permanently poor tenant, the physically or mentally handicapped individual with special housing needs, the aged with special housing needs. Our limited public resources must be directed at them. Let private capital house the tenants who have the capability, the maturity and the capacity to act as discriminating consumers as adults. They do not need your help.

Gentlemen, the rent review system that was in place was certainly not perfect, but it was, in a poor fashion, working. It afforded consumers protection and opportunity: for consumers of rental housing, protection against sudden, arbitrary and huge rent increases; for consumers of residential rental investments, the investors, it afforded them the opportunity over the long run to pursue fair and reasonable returns on their investments.

In the final analysis, the measures now proposed by the NDP government, the elimination of rent increases to compensate for financial losses and capital expenditures will drastically penalize the consumer of financial investments

in favour of the consumer of rental housing. The negotiated balance of the rent review system will be lost. The sad truth is that this is poor economics, but even worse, and worst of all coming from an NDP government, it is poor ethics. Amazingly, four years from now, when this government is seeking re-election and then sitting on top of our next rental housing crisis, it will have turned out to be very poor politics.

The Chair: Sir, thank you very much for your presentation.

Ms Poole: As far as the real estate syndicators, you obviously have your concerns about this bill and the impact in many ways. Would you like to expand on what is going to happen as far as future investment?

Mr Nairne: The current supply, and it depends on what demographic model you need, but we could be facing the need for 25,000 to 30,000 to 35,000 new units each year. It could be expenditures in the order of \$3 billion a year in this province. If you look over the history of this industry you will find that private capital—first it was institutional capital in the 1970s that basically left the business, the large companies like Cadillac Fairview. Virtually all companies, with the exception of Bramalea, sold off their portfolios. They have a responsibility to their shareholders and that responsibility is to seek improved capital returns. Most of the insurance companies that used to be equity players also left the business because of the politics associated with rental housing. The small or medium developers who stepped in in the 1970s left in the 1980s with the onset of the new rent review system.

What stepped into the gap was the syndication process, which is a fancy name for taking large projects, breaking them down into affordable sizes and having individuals buy these. These are all sold by way of security, cleared through securities commissions or by private offer. That capital has now been placed in and it is really the only reason, frankly, that the Liberal government was able to avert a huge rental crisis at the top end of the market. We know we have one at the bottom end with the poor, but now we are talking about the 70% of Ontarians who can afford rental housing.

Because these investments initially lose money in their early years of operation and because right now the market is at a low point, the impact of really constraining rents to the statutory limits will put a person into a financial penalty box. As retail investors—it is funny, I was reviewing one of the NDP's new bills on financial disclosure—we will be having to tell these people that frankly these are not good investments. The result will be that with the new disclosure we will have to say, "Invest in an area where you can earn a proper competitive return," so private capital will leave the business. If the government has the capacity financially to step in and efficiently provide all the rental housing required in this province, by all means say you are going to do that if you can, because that will be the net effect.

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Ms Poole: You mentioned in your presentation about investment moving outside Ontario to Alberta and various

other provinces and outside Canada. Do you have any sort of log of cases where you know already that investors have pulled out or have told you that they definitely will be pulling out?

Mr Nairne: I think people are watching pending what the NDP are prepared to do with this. If they go ahead with this, at the meetings we have had, the bulk of our members are going to really be redirecting investment focus to other investments, bonds, equities, real estate elsewhere and we will likely be advising our clients to sell off current holdings and redirect their capital elsewhere.

This is their retirement money. This is the money that you or any of us have accumulated over our life to provide for our retirement. It is incumbent on us to have them properly manage it. We owe them, as consumers of financial products and advice, ethical and honest answers to their questions.

Ms Poole: One last quick question and then I believe Mrs O'Neill has one. The government has said this is interim legislation and that it plans to try to bring in its long-term legislation very quickly, possibly as soon as a year but certainly within a two-year period. Is it your estimation that, if Bill 4 remains in its present form, it will be difficult to attract investment back to the rental market simply because they have lost their faith in government and in the credibility of government and they are afraid that the rules will change once again?

Mr Nairne: In the area of rehabilitation, and some of our members do that although a lesser proportion, I would say it will be a long time coming. The next housing crisis, because the market is cyclical, will not be solved by private capital.

In the other sector, again the confidence will take time to rebuild. The unfortunate reality of all this is that the interim measures have rarely ever been sorted out to provide real solutions.

The solutions I have heard being proposed here in terms of overall cap limits, defining a luxury renovation, the things that can specifically be directed to correct the problems that are publicly shown, those are the ones that should be implemented right away because the job loss, the financial distress, the disallocation, we are now in a competitive world and a competitive world allocates its resources fairly.

The problem with this is that we all end up as losers. It is only an abundant society that can help the disadvantaged. My fear is that it is going to be the erosion of that abundance that is going to leave us with fewer options in the future, not more.

Mrs Y. O'Neill: I was very pleased with the way you began because I think it is not generally known that over half the people in the province of Ontario do not have a pension plan other than the regular federal pension plan. Most of these people have not worked their lives under collective agreements. They have owned a small business or they have worked in a small business or they are in occupations that do not generally have a pension plan built in. I do not think that is generally understood.

I think everyone in this province, however, has a right to provide for their old age or for times when they may not be able to work as they are working when they are fully employed. You made that very clear, that this is about the same thing as any investment would be, such as a registered retirement savings plan or a pension fund. This is the way many people look upon real estate investment, and we have had them come before us for sure.

That is my comment about what you said and I am glad you brought it to the forefront of your presentation.

I am wondering if you have any individuals and/or groups you can relate to us who have had, recently, since the legislation was presented on 28 November, discussions with either trust companies or bankers and have found that they are not as welcome as they were before this legislation.

Mr Nairne: Anybody who is involved in residential rental housing is now facing a real inability to get financing. These institutions are large. There is a need for funding for new development in Alberta today. If I can place my mortgage on a new Alberta rental project without concerns of loss or arbitrary shifting in government regulation, philosophy and approach, I will do it.

Mobile capital is a reality of the world because that is our accumulative as people's savings and they attempt to find places where it is going to provide an adequate return.

Mr Tilson: Just a brief comment and then Mr Turnbull will ask some questions. I do not know how many stories from people like Mr Makuch and Mr Nairne it is going to take to convince you people that this bill is going to cause this province economic disaster. The sooner you withdraw it the better.

Mr Duignan: I did not know you were going to say that.

Mr Turnbull: Thank you for the very good presentation. I have to compliment you on the fact that you did not have a prepared presentation and you were able to speak so fluently on this matter. Could you tell me how many condominium units this vehicle for investment has provided in Ontario for the last five years?

Mr Nairne: There are two levels of condominium investment. One is where an individual builds a condominium building and individual investors just on their own accord go out and buy and rent. That is one whole group that is to a certain degree trapped, certainly, by this change.

The second is where a company undertakes and builds a whole project for a group of investors, each owning those units. That is the typical syndication process.

I know that in the city of Toronto it has been between 3,000 to 6,000 units a year for the past five years. I know there have been similar amounts of building. It has made all the difference between a shortage in the \$500 to \$1,200 range and the capacity to house those people.

Mr Turnbull: Would you say that was probably the determining factor in changing the vacancy rate from .02% to 1%?

Mr Nairne: Absolutely. Now the problem coming is that if that capital leaves, that is the last capital. The institutional capital has left the business. The corporate capital has

left the business. If the retail capital leaves the business, it will be entirely up to the public purse and that becomes a matter for you to take up with your Treasurer. They have found in other economies, unfortunately, in society that it just does not work.

The second travesty of all this is that if people at the top end cannot find rental housing they begin holding on to it, and when they hold on to it the persons who get pushed out at the bottom are all those who are disadvantaged. What concerns me really the most is that some of them—certainly the motivations of the NDP in terms of certain isolated instances point to where there need to be remedies to the current system.

Mr Turnbull: Could you tell me, among the investors you have, you alluded to the fact that on average the yield expectation was in the teens. I presume that does not refer to the first year of ownership. That is an average, is it?

Mr Nairne: That is an average over the life.

Mr Turnbull: What is a typical lifespan of such an investment?

Mr Nairne: A typical building holding period would be eight to 10 years.

Mr Turnbull: Certainly it is not as mobile as investment in other vehicles.

Mr Nairne: It is not liquid, no, it is not.

Mr Turnbull: Yields in the teens would be fairly conservative compared with other vehicles of investment.

Mr Nairne: They are competitive with other growth instruments, but if they were any less there would be no capital flowing into the sector at all.

Mr Turnbull: Do you have any indication as to how many Ontario citizens have put their life's savings into this kind of investment?

Mr Nairne: I think you could be talking in the order of maybe 50,000 Ontarians. These individuals are all passive investments. They have bought a security interest. They do not see themselves as landlords. They see themselves as investors, just the same way that a person invests in a guaranteed investment certificate, which is in turn let out in a mortgage and does not see himself as a mortgage holder.

Mr Turnbull: Are there any of them you would define as being gouging, greedy landlords?

Mr Nairne: Absolutely not. A lot of them are tenants themselves.

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Mr Turnbull: I have observed in the underground parking garages of some of these condominium buildings that are rented out that there seems to be some awfully expensive cars among the people who are renting them.

Mr Nairne: Yes, and we have done surveys in certain buildings, but the average income profile would be between \$40,000 and \$80,000 for most of these buildings.

Mr Turnbull: Did you see any reason to give those people any breaks from the landlord?

Mr Nairne: Number one, most of them are transient renters, corporate relocations. Many times they are moving

out to buy a house. They have high capacity to pay and frankly, by suppressing rents for them, you end up driving up restaurant receipts and lowering housing for the poor and disadvantaged. It becomes that misallocation of resources that in its extreme is portrayed by the Soviet Union today.

Mr Turnbull: Would it be reasonable to say that some, and I am only saying some of these tenants, are paying more in lease payments for their fancy cars than the rent they are paying for the unit?

Mr Nairne: Yes, in fact I had friends of mine, one who is a lawyer and the other is an actuarial, and it worked out their rent bill was 6% of their gross income.

Mr Turnbull: Are these people that we should be targeting for bills to help them?

Mr Nairne: I certainly would not if my objective was to help the disadvantaged. I would take our limited resources and help them.

Mr Turnbull: When your investors dispose of their investment after, say, eight years, do they pay tax on their capital gain?

Mr Nairne: Yes, they do. There is tax on the capital gain, there is recapture of any deductions they have had.

Mr Turnbull: What rate would they typically pay?

Mr Nairne: They will typically be paying at the 50% per cent rate. It is like an RRSP. All you do is you are able to defer some taxes.

Mr Turnbull: So about 50% of their gain is going into the province and into the federal government.

Mr Nairne: Oh, absolutely.

Mr Turnbull: The federal government and the provincial government have not participated in the risk, but the government has participated in the gain to the 50%. Is that correct?

Mr Nairne: That is how our society works.

Mr Duignan: A comment to Mr Tilson: We made a commitment during the election campaign to introduce rent controls to protect the tenants of this province. We are living up to that commitment under Bill 4, make no mistake about that.

Thank you for making a presentation here today. I would like to ask you a question. The first \$100,000 in capital gain is tax-free. Correct?

Mr Nairne: Currently yes, unless you have a cumulative net investment loss problem.

Mr Duignan: But the first \$100,000 is tax-free.

Mr Nairne: Yes, it is.

Ms Poole: Mr Chair, just on a point of information, when Mr Duignan just made the statement he did that you were going to bring in rent control and you were going to keep your promise with this legislation, does that mean you are unwilling to accept any amendments or to consider any amendments and we may as well all pack up and go home right now?

Mrs Y. O'Neill: It sounds like it.

Mr Abel: Of course not.

Mr Duignan: I will not deter from the principle of the bill. A question: When a landlord regenerates his building through capital improvements and after you finish that work in the building, is the value of the building increased?

Mr Nairne: If a landlord improves the building?

Mr Duignan: Yes.

Mr Nairne: Not recently.

Mr Duignan: That is not the question.

Mr Nairne: Real estate moves through cycles. There are capitalization shifts, there are competitive interest rates. I can improve a building in 1989 and be a loser or a winner in 1990. There is risk in this business.

Mr Duignan: But generally, though, the value of the building is increased.

Mr Nairne: Yes.

Mr Duignan: Who gets the benefit of the increased value if the building is sold?

Mr Nairne: The owner of the building.

Mr Duignan: And should that person not be the one who pays for those renovations in the first place?

Mr Nairne: No, he should not.

Mr Duignan: Why not?

Mr Nairne: One of the fallacies of the ownership-versus-rent comparison is the fact that the tenant does not tie up capital in the project. In fact, one of the debates in the financial planning community is, is an individual better off taking his capital and putting it in other growth instruments and just renting, versus owning? Therefore, in economic terms the individual who is providing the product is being paid a price for it and is looking for a return. Otherwise, he is not going to provide the service. That is the reality.

Mr Duignan: So the reality is that the tenant pays for his investment.

Mr Nairne: The tenant pays the price—

Mr Duignan: —of his investment.

Mr Nairne: By that analogy, I currently have large interests in a lot of milk with the number of kids I have; I have interests in dairies.

Mr Duignan: It is not a comparison.

Mr Nairne: I mean, one is a consumer, the other is a producer.

Mr Duignan: You talked about, for example, "Let the private sector look after housing."

Mr Nairne: No, I did not. I made a specific reference large interests in a lot of milk. With the number of kids I have, I have interests in dairies. One is a consumer, the other is a producer.

Mr Duignan: You talked about, for example, let the private sector look after housing.

Mr Nairne: No, I did not. I made a specific reference—and this is really a point of ethics and consideration—that the government has a very real role to the structural poor, the disadvantaged. There are those who need assistance in this society. I am saying if a government chooses to enact legislation that treats tenants as a

homogeneous group, 70% of whom do not need help, you are distributing that resource over a larger group and underscoring the assistance you can give the truly needy. That is the travesty.

Mr Duignan: Let's look at the benefit of British Columbia's decontrol of the rent control system. It has got to the point that actually, in August 1989, the city of Vancouver had to impose a \$1,000 tax per unit just to make sure that there is some rental stock available, plus the fact that private rental starts as a proportion of total starts in British Columbia declined from 47% in 1982 to 5% in 1988. So what would be different in Ontario?

Mr Nairne: We have already just discussed how in Ontario it is already different. Rents are falling in the \$500 to \$1,200 part of the market, private capital. They are about to fall a year or a year and a half from now in Alberta. Real estate is cyclical. One of the reasons it has become tragically political is that when rents go up 13% in times of shortage, it is a political football. When they drop, as they are today at the top end of the market, when oversupply occurs, the tenant reaps the benefit. What we as a society have to do is find ways of depoliticizing the issue, properly allocating our resources and really helping the disadvantaged.

Mr Duignan: That is hopefully what the intent of the permanent legislation will do.

Mr Nairne: All I can tell you is that you are not going about it the right way. If you were, I would be here applauding you. I am only looking for fair and competitive returns for investors, nothing more. I have to compete with guaranteed investment certificates to attract capital. If I cannot compete, I am going to tell investors to put their money elsewhere. Those are the facts.

Ms M. Ward: I wanted to ask you some questions about condominiums. You said you represent the individual investor, so I assume there is someone else up there through whom those individual investors deal.

Mr Nairne: I am speaking symbolically in the sense that we have fiduciary obligations to our clients in this business.

Ms M. Ward: A lot of people bought condominiums when market prices were rising and are now stuck. As speculators, they purchased condominiums in the hope of flipping them. I am using that verboten word. But you are also dealing with the individual units such as I described, someone buying an individual condominium, and your groups also build actual condominiums. Did I understand you correctly?

Mr Nairne: Most of the rental projects that you see leasing today, for example, Mississauga Square One, the entire building is going rental but there will be 180 individual owners, each owning a specific unit. But they pool their rents and expenses, they hire a manager. They are doing everything collectively and they have bought an interest in what is now legally a security as opposed to real property.

Ms M. Ward: Was that the original intent, to build it and rent it, or was it built originally for sale purposes and now you cannot sell?

Mr Nairne: Build and rent. I will give you an example. In 1983 we built and leased up a 180-suite project in Etobicoke. It leased up very nicely. Nearly half those units are still available in the rental pool, despite the fact that any investor could have sold out at the top of the market with a healthy gain. A lot of people have made long-term commitments in these investments.

Ms M. Ward: But is it intended to stay as a rental building and not be sold as condominiums, or is that up in the air?

Mr Nairne: Many of them sell to the tenants. Longer term, some of the people move into them themselves, because it is their retirement housing. They are looking to fix the cost today. Number two is, what we really need is mobile housing. There is no problem with condominiums that are being rented being sold to home owners, because when home owners need a lot of units, all of a sudden they are available at a lower cost. The key is to keep on building enough so that you have lots of choice and availability in that market. That is what will seize up under this act, unfortunately.

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Ms Harrington: Thank you very much. I think you have made your position very clear and I think we all understand from our own backgrounds that people are looking for investments and that this is one avenue that people go.

I wanted to make clear to you what this government is trying to do. We have a system in this province which we have inherited which we feel is not working. A lot of people are telling us that from all sides. We are trying to somehow bring some fairness to the system and some balance, and what we have found is that the balance has been going one way.

[Failure of sound system]

Ms Harrington: That is our motivation. I would just like to ask you one question. Do you feel that apartment homes are primarily homes or investments?

Mr Nairne: Do you mean condominiums or rental apartments?

Ms Harrington: Rental units. Are they primarily homes or investments?

Mr Nairne: For 70% of the populace, they are a transient good that I buy as I am going through the chain of my own housing; for 30% they are a permanent housing necessity thrust on them, and from the owner's perspective they are an investment.

Ms Harrington: I would suggest that more than 30% need them as homes.

The Chair: Thank you, Ms Harrington. Michael, thank you for coming, we appreciated your presentation.

TOWER HILL EAST TENANTS' ASSOCIATION

The Chair: We are now down to our last presenter, Tower Hill East Tenants' Association, Frances Rose.

Frances, you have been allocated 20 minutes, 10 minutes for your presentation and 10 for the questions. I would ask you to introduce yourself for the record, and anyone who is with you, and whatever positions they hold within the organization. The floor is yours.

Mrs Rose: My name is Frances Rose and I am a director of the Tower Hill East Tenants' Association. With me are Ben Fiber, our president, and Ken Pulkonik, our treasurer.

Our presentation today is brief. It deals with the problems we have experienced in our apartment building, problems that I am sure are typical of those experienced by other tenants in other buildings of similar size and age.

The Tower Hill East Tenants' Association represents the tenants of Tower Hill East, an apartment building located at 330 Spadina Road, Toronto. There are 132 units in the building, which range in size from small bachelor apartments to luxury suites. The building is approximately 23 years old. Among its tenants are many senior citizens on fixed incomes, a number of whom have been occupying their units since the building's construction.

In the late 1970s when the Residential Premises Rent Review Act was in effect, our rents were increased according to government guidelines, although in a large number of cases our landlord added on additional annual sums for tax and maintenance escalation. Then in 1980 units paying monthly rents of \$750 or more were removed from the protection of the act. Rents were immediately increased, some by as much as 40%, for those units affected. These incredible rent increases continued, not just for the one year but for several years in a row until the new Residential Rent Regulation Act came into effect in 1986, which limited uncontested rent increases to 4% for that year. Our landlord responded by demanding a 12% increase from each tenant as his or her lease came up for renewal.

It was at this point that we reactivated our dormant tenants' association. Approximately 85% of the tenants in our building joined and paid the annual fee of \$45. The money was used to hire legal counsel to help us contest this increase. Our lawyer advised us to pay only the 4% increase until a hearing could be held and the results announced.

Two hearings before the Residential Tenancy Commission took place, one in June and the other in August of 1986. I must emphasize that at these hearings the cost revenue statement submitted by the landlord and dated 20 May 1986 shows a total revenue for 1985 as \$1,487,826 against total operating costs, including management and administrative overhead, taxes and other expenses of \$789,103, for a net gain of \$689,723. This from just one building for just one year.

The main argument put forth by our landlord's legal counsel was that the 12% increase was needed to pay for the costs of resurfacing the concrete floor of the basement garage of our building and to erect a roof over part of the driveway. In addition, such items as wallpapering and painting the hallways, which had not been done since the building's erection, painting the balconies and stairwells, plus the cost of his legal counsel at the hearings were added. I emphasize the latter as it seems preposterous that,

as tenants, we should be required to pay for the landlord's legal counsel in addition to our own. Moreover, we were being asked to subsidize the landlord by paying for items that would enhance the value of his property.

The results of the hearing were made known in March 1987. The commissioner ruled that based on the lawful rent in 1976 and the subsequent legal increases, rents being charged for many of the units were considerably higher than the lawful limits and ordered the landlord to repay approximately \$250,000 to those tenants affected. In addition, he found the 12% increase excessive and ordered it reduced to approximately 7.9%.

The landlord immediately appealed, and in April 1988 the Residential Tenancy Commission reduced the number of tenants who were to be reimbursed the unlawful rents. By this time almost two years had elapsed since the original hearings in 1986. A number of tenants faced large rent accruals of up to thousands of dollars, representing the increases withheld during the period of the hearings and the appeal, and which had to be repaid immediately, causing difficulties for many tenants.

Since then, the upkeep and condition of the building has deteriorated drastically. What was once considered a luxury building is now in a state of decay and disrepair, with constant elevator breakdowns, crumbling concrete walls, threadbare hallway carpeting, rusted balcony railings and worn out and malfunctioning appliances.

We are to this day experiencing prolonged and dangerous disruption in elevator service. Some of our tenants have been confined in elevators for long periods between floors as a result of equipment failure. When this issue was raised at the 1986 hearing, we were assured that the problems would be remedied and that elevator telephones would be installed to ensure the safety of tenants. Despite further discussions, some as late as last year, nothing has been done. In fact, the quality of elevator maintenance, including cleanliness and upkeep, has deteriorated even more markedly. We have only two elevators servicing our 23-storey, 132-unit building, yet all too frequently only one elevator is in service, and when that one is being used for the delivery or removal of furniture, elevator passengers must squeeze in beside furniture, boxes and cartons, if they can get in at all.

We have also complained to no avail regarding the poor condition of the stairwells and landings in the building. These are very poorly lit and there is no supplementary source of power in the event of an emergency, as has happened on several occasions. On one such occasion, some tenants who are senior and/or infirm had to climb from 2 to 23 floors in the dark, amid falling plaster from the crumbling walls.

In addition, we are concerned with the general level of deterioration in the building. The original 23-year-old carpeting still covers the hallway floors. Not only is it dirty, unsightly and threadbare, but it is potentially dangerous inasmuch as someone could trip on its frayed seams and fall.

The balconies too are in a shabby state. They used to be painted regularly. They have not been touched since 1985, when the cost of painting them was included in the

landlord's application to the Residential Tenancy Commission. The railings are rusted through—another source of impending danger—and large chunks of concrete from crumbling ceilings and pillars have broken away, some narrowly missing tenants.

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Also, the exterior concrete walls of the building, which originally were painted white, have never been cleaned or repainted and are dirty, peeling and crumbling, and many of the appliances in the units which are 23-plus years old do not function properly and need replacement.

Finally, because of maintenance neglect, salt accumulation is threatening the \$200,000 concrete floor of the basement garage, for which we were assessed at the 1986 hearing.

What we as tenants fear is that if Bill 4 is not passed, we will have to pay for all these major expenditures by means of exorbitant increases to our rents. We believe that over the years our landlord should have set aside a part of our rents as a contingency fund to maintain the quality level of our building. We see no reason to reward the landlord for his neglect and greed or for being the source of our discomfort by forcing us to subsidize his property.

Furthermore, we believe that the province's practice of using rents as a means of reassessing an apartment building's evaluation for property taxation is unfair to tenants. Apparently, assessors target apartment buildings that have had increases above the provincial guidelines, as we had in 1986. This reassessment leads to increased property taxes that are then passed on to the tenants, so tenants are hit by double-jeopardy rent increases.

Finally, though we congratulate the government for introducing Bill 4 with its two-year moratorium limiting rent increases to specified guidelines, I want to point out that while landlords are assured of an automatic annual increase in their rental income, tenants, particularly those on fixed incomes, do not enjoy such an advantage. Their income remains static despite rises to their cost of living. Hence we wish to go on record that we regard the two-year moratorium merely as a temporary measure and are looking forward to the introduction of a fair and equitable system of rent control for Ontario, one that would assure that, among other requirements, the landlords set up an annual accumulative contingency fund for capital expenditures. Surely, with the type of income indicated earlier in this presentation, it should not be too difficult.

Mr Mammoliti: A very interesting presentation. I would like you to clarify something for me. You state, "because of maintenance neglect, salt accumulation is threatening the \$200,000 concrete floor of the basement garage." Can you elaborate?

Mrs Rose: This is a pet peeve of ours.

Mr Fiber: Yes, I will elaborate on that. The subsurface and the first basement and second basement were stripped and resurfaced at a cost of approximately \$200,000 in 1986-87. I have now been advised by one of the tenants in our building, who is a very well-known construction engineer, Hedley Roy, that the cracks in the surface that have developed since are of such a nature that

there will be a rapid deterioration in the safety barrier underneath the asphalt if the salt continues to accumulate, and in fact there may have already been irreparable damage done to the floor.

Mr Mammoliti: How could you get rid of the salt?

Mr Fiber: Wash it away.

Mr Mammoliti: The landlord has not washed it away.

Mr Fiber: No. The garage used to be cleaned regularly with an automatic machine twice a year. It has not been touched in two years.

Ms Harrington: Thank you for coming. I want to ask you where your building is located.

Mrs Rose: Spadina Road, at the corner of St Clair, near the bridge.

Ms Harrington: A week or 10 days ago I took a tour in Parkdale, I believe it is called. I went to a huge complex called Westlodge. It sounds very familiar in some of the descriptions you gave. I was just hoping that while you are here, with the people in this room at the back, you might have a chance to dialogue with some of the landlords here so that they can see that tenants are reasonable people and that we as a government are reasonable people and that we want to set up, in the long term, some co-operation so that this system is going to work for everybody.

Mrs Rose: I want to mention something that one of the landlord representatives stated in the last hour, that he feels that tenants do not have a vested interest in their units, that they are transients. Believe me, in our building we take very much of an interest in our homes. They are our homes; we live in them. I have been living in the one I occupy for 15 years. I have invested in it in carpeting, doors I have put in, blinds and curtains. These are investments on our part too. We want to live like human beings. We are not transients coming in and running away.

Ms Harrington: Thank you very much.

Ms Poole: I would like to thank you very much for coming before us today and giving us such a very clear presentation. You did mention one point which I want to address. That is the provincial assessor's cute little trick of coming around and reassessing the apartment buildings after they had gone through a rent increase, in other words, that the tenants would have to pay the amount twice.

Mrs Rose: That is right.

Ms Poole: I just wanted to let you know that the Ministry of Revenue is aware of the concern in this regard. In fact, the city of Toronto is taking quite an active stance on it. I talked to Peter Tomlinson from the city of Toronto maybe nine months ago. They intend, I believe, to apply to the province to get this matter looked into. So there may be some relief down the line for that.

Mrs Rose: I am delighted to hear that.

Ms Poole: Thank you for coming today.

Mr Tilson: How much rent do you pay?

Mrs Rose: I do not think that is pertinent. How much does your house cost? I do not think it is pertinent, because rents in our building range from a small bachelor apartment

to extensively large apartments, and I do not think it is pertinent to this hearing. That is a personal matter.

Mr Tilson: It is.

Mrs Rose: I mentioned to you what the income is to the landlord of 132,000 apartments. His income is \$1,487,826. That gives you some idea of what the rent is.

Mr Tilson: Just so I have an idea not necessarily of your rent, can you tell me approximately what the rents are in that building?

Mrs Rose: I can do that. The only thing is that I have rents that go back to 1986.

Mr Pulkonik: Approximately between \$400 and \$4,500 per month.

Mr Tilson: Between \$400 and \$4,500?

Mr Pulkonik: That is right.

Mr Tilson: How many bedrooms is that on an average? Is that two bedrooms?

Mrs Rose: That is six bedrooms.

Mr Tilson: A six-bedroom for \$400?

Mrs Rose: No.

Mr Pulkonik: That would be a bachelor.

Mr Tilson: Of course, and that is what I am trying to determine. Let's take a two-bedroom apartment. What is a two-bedroom apartment?

Mrs Rose: About \$1,500.

Mr Fiber: I would like to correct that. There is a range of between \$800 and \$1,900; that is, those are the rents that were set for registration by the tribunal two years ago. Whether they have been maintained as directed by the tribunal we do not know, but that is the range.

Mr Tilson: I did not mean to insult you. I am just trying to determine the range of what type of building this is, because the description you have given is that it is almost approaching a slum. They are dangerous situations. Have you made any application to the property standards people or the health authorities? Because it does sound like a dangerous situation.

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Mr Fiber: We have been advised to do that, but we have also been advised that there are no teeth in the property standards provisions, that ultimately we would have to fall back to local enforcement and the level or degree of local enforcement under the provisions of the standards board are inadequate. That was made clear in a resolution passed at the annual meeting of the Federation of Metro Tenants' Associations a little while ago. They support stronger enforcement of these infractions.

Mr Tilson: You are the second person who has come today and told us that property standards bylaws—one was in Hamilton and now you are telling us Toronto does not have adequate bylaws. That is what you are telling us, I gather.

Mr Fiber: No, I am saying we were advised that that was the case and that there was really no recourse, no point in turning to—

Mr Tilson: If that is true, I would like to hear more of that, because that is a serious allegation. We also have provincial property standards that are required. In fact, an amendment to one of the regulations was just passed. I would suggest that that be pursued.

The Chair: You have time for one more short question.

Mr Tilson: Would you consider proceeding to the property standards bylaw people of the city of Toronto or of the province? You have described very serious situations.

Mr Fiber: I cannot speak for the other members of the executive and I certainly cannot speak for the members in responding to that, but if we felt we really had recourse, I think we would if we really felt we did.

Mr Tilson: I would recommend you look into it.

Mrs Y. O'Neill: So would I.

The Chair: Frances, I want to thank you and your delegation for coming today. We appreciated your brief.

I would like to inform the committee that that is the end of the formal presentations for today, but we still have a little more work to do before we adjourn. I have distributed some information today, two or three pieces. One was a letter from the minister. The second document was something I had requested on my own; I thought it was interesting. I had it distributed to all the committee members. Last was the itinerary and agenda. I have asked the clerk that she place our itinerary on the calendar so we would have a better idea as to what we were doing—when, where and the constraints on our time. I know we have wrestled with this question since the early moments of our first sitting. We are still going to have a problem with our time, who we have to hear when.

I think we should take this in some type of chronological order. I have already been put on notice by Mrs O'Neill that she wishes to talk about the minister's letter.

Mrs Y. O'Neill: I would like to draw the committee's attention to page 2 of Mr Cooke's letter. As I said earlier, I am pleased that the minister has answered my request as quickly as he has. I do find some comfort in the letter, but I have quite a few questions which I think surely the whole province and the people of Ontario have. Certainly, I want to have the answers for the people in Ottawa. It says, "The communities we plan to visit" are, and Ottawa is one of those. The minister makes a statement, "We will be providing over 25,000 copies to persons who have expressed an interest in this area and to any individual or organization on request."

I would ask that the minister's office submit to this committee the plan. Are there going to be advertisements in the daily newspapers stating this? I do not know how the first 25,000 people have heard about it, unless they have heard about it just through watching our proceedings and in news reports, because as far as I know there has been no official notice of this, as we usually advertise in this Legislature, put across the province.

I want to know how people are going to be informed. As I suggested earlier, I think there should be a 1-800 number and an indication of which languages this document is going

to be prepared in. If we are talking about less than a month from now, I think we should know the plan of distribution. That is my first question.

Mr Mammoliti: Can I respond, Mr Chairman, to the first suggestion?

Mrs Y. O'Neill: I am asking the minister to respond.

Mr Mammoliti: I would like to be part of this discussion, Mr Chairman, if possible.

Mrs Y. O'Neill: Okay. I am not finished, but I hope you will have your turn.

Mr Mammoliti: I do not know how you want to do this, whether you want to wait until she is finished or whether—

The Chair: It is 6:30 in the evening. We had a very, very long day yesterday. We have had another very long day today. Next week is going to be a killer week, so I am very easy to get along with. All I need is instruction from the committee as to how we want to proceed.

Mrs Y. O'Neill: I just have one more request.

The Chair: It is your committee. I need instructions. If there is consensus that we question each other as we go along, we can do that. If there is no consensus, then I have to allow Mrs O'Neill to continue to go forward.

Mr Mammoliti: That is all I am seeking.

Mrs Y. O'Neill: Mr Chairman, I am making formal requests of the minister. If there are responses to those formal requests, I am more than willing to hear them. I am expecting the clerk to do as she has done, to formally request—

The Chair: We will work for the committee. There is no doubt about it.

Mrs Y. O'Neill: Okay. So, the second question I have formally to be placed with the minister is, when will the schedule be complete with its dates and its times? I see that we have the cities picked. Could we have the dates and times upon which the three individuals mentioned will be doing the consulting in the cities? I think it is very important to give groups, most of whom are volunteers, a chance to prepare for the arrival of the minister, the parliamentary assistant and Mr Abel. Those are my two requests.

The Chair: We will get to it. Mr Mammoliti and then Mr Tilson. Mr Mammoliti, now is your chance.

Mr Mammoliti: You may rule me out of order, I really do not know.

The Chair: I have given you the floor.

Mr Mammoliti: I am just curious as to whether some of her requests, I would assume, were dealt with when we had our housekeeping meetings. I do not know. Tell me.

The Chair: Mr Mammoliti, these requests are going to be ongoing as we go through the committee stages—

Mrs Y. O'Neill: They have to go—

Mr Mammoliti: Excuse me, but I am asking the Chair.

The Chair: These requests are going to be ongoing and it would be impossible to deal with them at one particular meeting. We just received the minister's letter

today. Actually, I have a number of concerns about the minister's letter, but I am the neutral Chairperson, so my concerns, I guess, are not going to be noted.

I knew this letter was going to cause questions and requests to be put by certain committee members. I knew that as soon as I saw the letter. If we receive further documentation for the committee, when we receive further information from ministry staff, that is going to cause members to want more information of a different nature and to ask questions in a different way. That is normal and we are going to have to proceed in that fashion.

Mr Mammoliti: That is fine.

Mr Tilson: I support Mrs O'Neill's requests and have a couple of other added thoughts if you as Chair are going to be either speaking to or writing to the minister. The minister when he was here indicated that this paper would be released on 18 February.

The Chair: I believe he said the week of 18 February. He may have been more specific by saying 18 February. I cannot recall.

Mr Tilson: Okay. In any event, he appears to have clarified that, or maybe he has not clarified it. That is my question. In the last paragraph on page 1 of his letter he says the discussion paper will be released during the week of 18 February.

The difficulty I have is, and I know I am repeating myself and I will continue to repeat myself, about people being able to be heard. I believe we had scheduled that week and I think the succeeding week to discuss the green paper. I guess the difficulty is that if the paper is not introduced to this committee until later on in that week, then what are we going to do during those days?

The Chair: The clerk is going to answer part of the question and then I am going to give the committee some information, which is going to further confuse everything. Go ahead.

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Clerk of the Committee: The agreement the committee had made before Christmas, when it met to organize for these hearings, was that clause-by-clause consideration of the bill would start the week of 18 February, but that when the discussion paper was introduced into the committee, those clause-by-clause considerations, if they were not completed, would be interrupted and the minister would brief the committee on the discussion paper. We would then go back to the clause-by-clause, complete it, and go on to consideration of the discussion paper. That was the decision of the committee.

The Chair: The point I was going to add, which we will be discussing in a few moments, is that even with all of the instructions I have received from the committee and with all of the juggling we have done, with all of the extended sittings, we still have more than 50 presenters who will not be heard unless we do something.

Mr Tilson: That was going to be my next question, Mr Chair. You may not wish to tell us your concerns, but I am quite free to ask you what your concerns are with this

letter and I so ask you. If that is one of your concerns, I would like to hear other concerns.

The Chair: No, that was not my particular concern. I would like to give up the chair for a moment, if I can, as a member of the Legislature who is probably going to participate in the debate of this particular piece of legislation which is very, very important.

Mr Mancini: We have already realized from our presenters just how important it is and how both sides of the issue have addressed us with a lot of facts, with a great deal of emotion and all with great sincerity.

I have some concerns that we as a committee are doing this onerous work, and I believe this committee is working very, very well. We are going to interrupt our work to go into the consultation paper and then we are going to have a third body, namely, the minister, the parliamentary assistant and Mr Abel, doing what I believe an all-party committee of the Legislature should be doing.

I will not say it is offensive, but I am quite concerned that we as a committee have advertised in all of the papers and asked people to come before us. We are going to interrupt our hearings, we are going to move into a new phase and while we are in phase 2, without having completed phase 1, the minister and two other members of the assembly are moving into phase 3 and will be visiting many of the same communities we will be visiting.

I am not sure what their purposes are, but they appear to be similar to the purposes that we are working towards, and I find the whole thing rather disconcerting. I find the whole thing not to be in any type of sequence which would assist the many thousands of people who have been watching us and the hundreds of people who have appeared before us or will appear before us. Those are my major concerns.

I frankly do not know how we are going to be able to work in a healthy fashion while all this is going on. I thought that this was a matter for the Legislature and that is why we appointed an all-party committee of the Legislature, to do all of these things. Now I find that it is no longer just a matter for the Legislature, but that the minister has struck a committee of two members of the Legislature representing only one political party. Frankly, as a private member, that offends me. As the neutral Chairman of the committee it does not, but as a private member it does sincerely offend me. Those are the concerns I have.

The Vice-Chair: Thank you. Ms Harrington.

Ms Harrington: Any concerns that we have, especially as Chair of this committee, I think should be directly addressed to the minister himself. I would suggest that we ask the minister to be here as soon as possible, which would be Monday, to explain how things progress around this Legislature, because I certainly am not an expert on what has been done in the past and how things proceed.

Mr Mancini: I am not an expert either, by any means.

Ms Harrington: No, I did not suggest that.

Mr Drainville: Let's talk a little bit about this issue, which seems to be perennially being brought up by all of us. Let's be clear here. I do not want to appear in any sense to be coming on too strong on this issue, but it has been

reiterated every day since we began these hearings that we have to go into looking at Bill 4 on the weeks of 18 February, 25 February and 4 March.

I am going to say this again because we have to say it again: the committee has decided that issue. Let me be very clear that we are not going to do that. We have discussed the reasons why we are not. For me to reiterate for the 50th time the viewpoint that we have put forward many times before would be ludicrous, and I am not going to take up the time of the committee to do that. You have heard the arguments. The reality is that we are not going to meet on Bill 4 in that period of time. We have given our reasons for that, and I do not think we need to give them again.

As far as accommodating every group that we possibly can, we have given as much of a carte blanche as we possibly can to the committee to sit longer hours, to sit in the evening, to sit on Mondays and, if we have to sit on Fridays, then we will sit on Fridays. But I want to be clear Mr Chair, that we have given as much as we possibly can on this issue of the moratorium.

Further to that, as far as the government side is concerned, we say again that we understand why you have the perspective you do on the opposite side. It is because this is an opposition government reality that we are dealing with. We want to see Bill 4 out of the way as soon as possible. Bill 4 is a difficult piece of legislation, and you have pointed out the difficulties in the legislation. We are saying that we do not want the moratorium to continue and to facilitate that, we have to move in the direction that we are going to move in, and that needs to be said.

The next thing is in terms of any hearings that the minister goes on. It is nothing new to government to have the minister going with government members, particularly in this case the parliamentary assistant, on a fact-finding tour and talking to people about the issues that surround housing policy. This is nothing new and the fact that the minister is doing that should be seen as something laudable as opposed to something that is somehow circumventing the system of this standing committee.

I do not believe that the minister is in any way taking away the rights of this committee. Although one thinks that when one is in government one does not think clearly or independently, if I thought any minister was doing that to a standing committee, whether you believe it or not, I would not accept that, because it would not be acceptable to the traditions of this place or to any parliamentary tradition. But I do not believe that that is the case.

Mr Tilson: I must say I agree wholeheartedly with Mr Mancini's comments. I am very confused about the procedure of where this committee is going. I think there is a major interference on behalf of the minister. The Legislature has given second reading to Bill 4.

The green paper that has been spoken of, this is where it has surfaced. In fact, it is going to be introduced to this committee. This committee has been set up to deal with Bill 4, not any green paper, and it is very confusing to me when I see the minister in his speech making it quite clear that there is going to be another set of public hearings t

deal with the green paper. That is laudable, except why in the world are we doing it now?

These hearings are set up to deal with Bill 4. The fact that the government refuses to hear 50 applicants is a terrible thing. I think that the time that is being set for this green paper should be abandoned and, if people want to come and talk to us about Bill 4, we should be able to hear them.

I quite frankly do not think that the minister should be interfering with us any more. I mean, you guys have the votes, as I have said before. You can do as you like. You talk about how a deal was struck. That was before the minister came forward and made his statement. That was before the minister came forward and gave us this letter of 17 January. There is now a new game being played.

That was before all these applications. I do not think the Minister of Housing ever dreamed that all of these applications would come to us. The fact of the matter is that people with far more experience, who have been around here a few years, have talked about how lengthy these hearings are and the great number of people we are going to be hearing, and we are still not hearing scads of people.

I wholeheartedly support the Chair. I have several other comments about other matters, but with respect to this matter that Mr Mancini has raised, I wholeheartedly support him and hope that someone can clear it up for us. Whether the minister has to come and do that—I quite frankly do not like him interfering in our hearings, but if he has to come and do that, then that is fine. But I wholeheartedly support Mr Mancini.

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Mr Turnbull: I want to wholeheartedly support Mr Mancini as well and I want to speak specifically to the comment that Mr Drainville has just made, that this was not that the committee voted. The NDP members who are in a majority on this committee voted to stop us having any further debate on it. In the discussion period before the green paper was ever mentioned, we had allocated a period of six weeks, because I am on the subcommittee and I was here. For any suggestion that was not the case, I object to it. I want the public of Ontario to understand that, because open government is not open government unless you are honest with people.

We were allocated six weeks and then we had inserted the green paper. Now we are seeing that the green paper is being forced on us with no public discussion in this forum, and then there is a dog and pony show going to go around the province with the minister and the parliamentary assistant, yet we are not to have any public discussion of that. That is the demise of open government.

Mr Mancini: Mr Drainville, I take very sincerely what you said earlier. I believe that if you felt the committee was somehow being abused in any way, I frankly do believe that you would speak up. I do sincerely believe that.

Mr Drainville: I guarantee it.

Mr Mancini: I want to say to you today as sincerely as I can that maybe other governments have in fact in the

past done what this minister plans to do; maybe they have. I guess if we were to check all the records we might find a similar situation. I cannot think of one right now, but that does not mean it did not happen or does not exist or did not happen more than once. What I am saying to you is that whether it has happened before in the past or not, that may not be a good enough reason for the minister to do what he plans to do.

Basically, from my reading of his letter, and it might be unfair to the minister because he is not here to more fully explain his letter, it appears to me that he is running parallel with the committee. We chose a number of cities to go to; he has chosen a number of cities to go to with two members of the Legislature. That is fair ball, but I think that is fair ball when you are fact-finding to do a report that you might want to send to a committee. I do not think it is fair ball when you send the bill to committee and we are trying to visit these cities, and we may or may not do something similar with the green paper or the consultation paper, depending on what the committee decides, and then all of a sudden we have the committee and two members doing almost the same thing.

I do not know. Does the minister think he will get different briefs than a legislative committee will get? Does he think people will say things to him with different nuances? Does the minister not want to involve us? I do not know. I do not think he stayed up all night and hatched this plan to subvert the committee. Maybe. I do not really think he did that but I find that sometimes when ministers—having been a minister myself, you make a plan and you think it is great and you say, “No one can possibly be offended with this.” All of a sudden you find out there is a great number of people offended.

I am willing to give the minister the benefit of the doubt. I am willing to say that he probably made these plans in good faith. Whether I am offended or not may not matter a whit. It may not matter a whit whether there are three or four of us offended. I do not know. It may all boil down to, “We’re on one side and you’re on the other and that is the way life is in Parliament.” We are all over 18 and we can all understand that and we should all be able to accept that, if that is the reality.

I am trying, the best I can, to go through a process with all of you that is in fact meaningful, and as a member I find that the minister’s letter, without having heard from him personally, takes a lot of meaning out of what we are doing.

The Vice-Chair: I still have four members on the list. Maybe if I could try to be helpful, because we have been here a long time today, I thought I heard Ms Harrington make a suggestion that the minister come on Monday. Perhaps rather than go in circles we could have the minister come on Monday, or instead of the minister, if he is unavailable—

Ms Harrington: We have a concern here. We need the concern answered. I do not think that discussing it for another 10 minutes or so is going to resolve it.

The Vice-Chair: Would we make it clear then that the minister will be invited to come before this committee at a

time, I guess about 5 o'clock because that is the first moment available to the committee?

Ms Harrington: Whenever you schedule this.

The Vice-Chair: I think on Monday. The minister can come and address the points of view and the issues raised by the members, the questions the members seem to have about his letter and perhaps, if that is—

Mr Mammoliti: We agree, Mr Chairman; everybody agrees.

Mrs Y. O'Neill: That is not correct, Mr Chairman. At 5 o'clock I have people coming from a far northern community to discuss—I made this appointment three weeks ago. They are from one of the most northerly ridings. It is on a matter that I have experience in, education. Ms Poole has the same group. We thought, because nobody can see us these days, that we could meet with them, I think it is at 5:30 or maybe it is 5 o'clock on Monday night. I cannot. They are travelling really literally hundreds and hundreds of miles.

The Vice-Chair: Then could I make the suggestion that the minister come before us as soon as possible. Would that be satisfactory?

Ms Poole: If I recollect from looking at the schedule, there were a large number of unconfirmed time slots on Monday afternoon. Has it changed now, the new improved version?

Clerk of the Committee: Yes. Where it says unconfirmed time slots, in most cases people have been offered the time. They just have not got back to us with a confirmation or they were not there and we left the time with them and are expecting them to call back. So where there are empty spots it does not necessarily mean that it is empty; it just means—

Mrs Y. O'Neill: The minister may not be available on Monday.

The Vice-Chair: Let's just leave it as at the earliest possible moment.

Mrs Y. O'Neill: Can I just make one formal request. We have 50 people now on a waiting list. I think it is important that this committee and the minister know we have another week for those ads to be out there. I hope we can have almost a daily update on how many people do not have a time slot at this moment.

The Vice-Chair: I am certain the clerk would be happy to provide that.

Mr Tilson: On a new matter, being a new member to the committee system, it is a question to the clerk on procedure. Now that we have set up new dates or made new dates available, what is the advertising procedure? When is that done?

Clerk of the Committee: It would be unusual for a committee to advertise a second time for a set of hearings. The advertisement did say "Thunder Bay, Sudbury, Ottawa and Windsor and other areas as required"; I think was the wording.

Mr Tilson: So that is it as far as advertising is concerned?

Clerk of the Committee: That is correct.

Mr Tilson: What about Thunder Bay? Has Thunder Bay been cancelled? Are they going to Sudbury or coming here?

Clerk of the Committee: Yes. There were four people who were on the list for Thunder Bay. They have all been called and offered a spot in either Sudbury or Toronto.

Mr Turnbull: With respect to Hamilton, can you tell us how many applicants have been interested from Hamilton and area. I notice you have half a day blocked off somewhere for Hamilton. You have Monday afternoon, 11 February, blocked off for Hamilton.

Clerk of the Committee: I have since then received a sort of handwritten update and there are nine people currently scheduled in Hamilton. I think there are three or four we have put in calls to who have not confirmed.

Mr Tilson: So there are 12 people who are interested from the Hamilton area.

Clerk of the Committee: That is correct.

The Chair: As Chairman, I need instruction from the committee as to what we are going to tell these presenters we are not going to hear. I need some instruction. Do we prepare a form letter? Do we call them?

Mr Mammoliti: What has the clerk done in the past?

The Chair: That is a good question. What has been done in the past?

Clerk of the Committee: In the past both have been done. I think most of these people would expect a call, and I would certainly write to them if they requested it.

Mr Mammoliti: I guess that would be my suggestion then for the clerk to deal with that. Is that okay?

Mr Turnbull: With respect, there is a matter the clerk brought to my attention today, somebody who very much wants to be heard and has an area of expertise we have not heard from, and that is the mortgage broker. We have heard a lot of references to mortgages on buildings, repeatedly, and yet we have not had any witness to that effect. The clerk is aware of Darlene Stubbs and I urge that we make time available for her.

Mr Mammoliti: I think we have already discussed this.

The Chair: All I want to know is how you want us to deal with it. I did not want to come back to the committee meeting and be told that I—Mr Brown and Mr Tilson, and then I guess we are going to call it a day.

Mr Brown: Hopefully these people who cannot be heard, if the government will not allow the time for them to be heard, will be encouraged to submit a written brief to the committee so that we can see their point of view.

The Chair: Yes, we will do that.

Mr Brown: And that the members of the committee be given the names and addresses of the groups that are so affected.

The Chair: That is fine.

Mr Tilson: My question was along the same lines.

The Chair: All right. That is how we will handle it. Men. Either we will tell them over the phone, or if they request a letter they will get a letter, and we will make that information Mr Brown requested available.

Mr Turnbull: I have to insist that it go on record that the NDP is blocking the introduction of evidence from a witness who wants to come forward in an area of expertise that we have not heard from at all yet.

Interjections.

Mr Abel: That is not true at all.

Mr Duignan: On a point of order, Mr Chairman: We are going to accept a brief from that particular individual, I hope, and that can be entered into evidence to this committee here. We are not denying the person an opportunity to present evidence.

Interjection: On that note, to say that we are blocking is unfair.

Ms M. Ward: Can I ask a question of the clerk? On the agenda, in some places you have "witnesses unconfirmed." In some time slots there is nothing. Is there a distinction between those two, and the first one is as you just explained to us?

Clerk of the Committee: Where it says "witnesses unconfirmed," it means for that whole block.

Ms M. Ward: That is fine. I understand that.

Clerk of the Committee: It does not mean for that time slot.

Ms M. Ward: There are also some empty slots where you do not have that showing. Does that mean those are open?

The Chair: No, they are not open.

Ms M. Ward: On 22 Tuesday—

The Chair: We are just waiting for the people to call back.

Clerk of the Committee: Tuesday the 22nd was added. Those times were added late this afternoon because now that the committee is going to London rather than Thunder Bay, we have a little bit of extra time in the afternoon. I am not certain because someone back in my office has been doing some scheduling while I have been sitting here today, so they may be witnesses unconfirmed or they may be open at this point.

Ms M. Ward: But at that point you had four empty time slots there?

Clerk of the Committee: That is right.

The Chair: Another point of order?

Ms Poole: Just a final quick point. I hope that if we do have an available time slot or a cancellation, a witness such as Mr Turnbull has would be able to be fitted in.

The Chair: Good suggestion.

Ms Poole: Everybody would be happy and nobody would think anything was unfair.

The Chair: The committee is adjourned until Monday.

The committee adjourned at 1905.

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STANDING COMMITTEE ON GENERAL GOVERNMENT

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Substitution:

Poole, Dianne (Eglinton L) for Mr Scott

Tilson, David (Dufferin-Peel PC) for Mr B. Murdoch

Ward, Margery (Don Mills NDP) for Mr Bisson

Clerk: Deller, Deborah**Staff:** Richmond, Jerry, Research Officer, Legislative Research Service



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Première session, 35^e législature

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Le lundi 21 janvier 1991

Comité permanent des
affaires gouvernementales

Loi de 1990 modifiant
la réglementation des loyers
d'habitation



Chair: Remo Mancini
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Monday 21 January 1991

The committee met at 1304 in room 151.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Vice-Chair: Good afternoon and welcome to the second week of public hearings on Bill 4. The standing committee on general government will be conducting these hearings for the next little while. /

ONTARIO CHAMBER OF COMMERCE

The Vice-Chair: Today our first presenter is from the Ontario Chamber of Commerce. Introduce yourselves to the committee and the positions that you hold within the organization so that Hansard will be able to keep track of who is who. You have a total of 40 minutes: 20 minutes for your presentation, followed by 20 minutes of discussion with the committee regarding your presentation, which is split evenly among the three parties. Welcome to the committee.

Mrs Matthews: Thank you, Mr Chairman. I will take the opportunity to introduce our delegation. My name is Linda Matthews. I am chairman of the board of the Ontario Chamber of Commerce. My employer is Royal Insurance. On my left is Don Eastman. Don is the chairman of the chamber's economic policy committee and he works with Dofasco. At the end is Bill Cook, who is a member of the economic policy committee. Bill is a financial management consultant.

We are very pleased to be here today. Thank you for the opportunity. We are here to represent our members' views. Our members include 165 local chambers of commerce and 65,000 business members. The unique character of the Ontario chamber is that the organization represents the broad voice of business in the province. Our membership consists of single-owner businesses up to the largest companies in the province. These members also represent every sector of the economy, from a florist's shop in North Bay to a construction company in Sudbury to the IBM office in Toronto, and yes, some of our members are landlords and developers. But our strength is that the Ontario Chamber of Commerce represents business interests from all sizes, all sectors and all parts of this province.

We regret that we do not have a written copy of our comments today, but we will make those available to the committee. Our understanding is that might be a positive on our side rather than a negative, that you do not, at least yet, have another brief to read. I will now turn over our comments—which will cover two areas, first the Ontario chamber's position with respect to rent controls—to Mr Eastman, and he will then turn it over to Mr Cook on specific comments on Bill 4.

Mr Eastman: I would like to begin with a quote from George Bernard Shaw that seems to be particularly appropriate when you are looking at rent control legislation, "A government that robs Peter to pay Paul can always count on the support of Paul."

The Ontario Chamber of Commerce has consistently opposed rent control legislation in this province. That is not going to come as any particular surprise to any of you. We have also consistently recommended rent assistance for those who are in need. The benefits that rent control legislation arbitrarily confers on renters bears no relationship to need, and in fact rent control legislation is seriously aggravating the accommodation prospects for those who truly are in need of low-rent housing.

Rent control is the systematic expropriation of property and property rights without compensation. Rental income that would have been taxable in the hands of landlords is being transferred tax-free into the pockets of tenants, regardless of their level of personal need.

Let's look at the results of rent control legislation. I want to look at this in the context of several stages of these impacts. In the first round the impacts are, initially, reduced landlord income and, accompanying that, a reduction in both federal and provincial government revenue from income taxes. That is followed relatively quickly by second-round results: sharply curtailed construction of rental housing. The legislative history of rent control in this province has provided a consistent message to builders and potential landlords that the province is prepared to change the rules arbitrarily and even retroactively to seriously limit the opportunities for earning a fair return in the rental housing market while encouraging losses.

Also in the second round we have the search for legislative loopholes. The whole sad story of the Greymac Trust debacle and the apartment flips that lay at the heart of it was rooted in the provincial rent control legislation that made it impossible to realize the underlying value of those buildings unless they changed ownership.

Rent control legislation has also been the root cause of a number of conversions of rental properties to condominium units, and we have also seen the physical destruction of rental units so that they could be replaced by new condominium or other buildings in order to realize the underlying value of the land.

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Next comes the third-round impacts. We have, first, a tightening of the rent control legislation to restrain the so-called abuses, and the abuses are again blamed on the oversights and omissions in the original legislation. The possibility that the core premise of the legislation is wrong is not considered. We have a further decline in the construction of rental units. No reasonable expectation of return, no construction.

We also see that the normal turnover of rental units is sharply reduced. Increasingly, tenants who are enjoying a significant rent control subsidy are economically locked into their units. Consider that a \$200-per-month rent control subsidy gives a tenant roughly a \$25,000 equity position in that apartment, an equity position that is abandoned if he moves out of that apartment. As a result, instead of moving up to larger, better rental units or out to their own accommodation, they stay. The turnover that should be characteristic of the rental housing market has been largely eliminated.

Also in the third round we see an increasing shortage of rental accommodation, particularly at the low end of the price spectrum, due in large part to the factor I just indicated.

We also see the curtailment of municipal revenues. With market value assessment, the reduced earning capability of apartment buildings is reflected in reduced market values and reduced municipal assessments.

That then brings us to the fourth round, which is a government that increasingly feels it has to step in to provide subsidized and public housing, usually inferior, because the rental housing market is being forced to fail. Anybody who thinks that rent control legislation and the process that it led to serves those in need is tragically mistaken.

With that overview of how we feel about rent control, I would like to pass it on to Bill for some of the specific comments on Bill 4.

Mr Cook: I am a financial management consultant and a member of the economic policy committee. It has been my role to develop the position of the Ontario chamber over the past several years on rent control. We see this particular bill as tightening up the controls that have already been put in place and therefore exacerbating the problems that Don has just iterated.

A seminar on rent controls and the international experience, held at Queen's University in 1988 and published in this booklet, demonstrated the effect that rent controls have had in various areas throughout the world over the past decade and more, going from Los Angeles, where they have had mild controls, and still have, which have caused some irritating problems in the rental accommodation market, to Ontario, which up to now has had fairly moderate controls which, as Don has mentioned, created significant negative interference in the housing market. Now it looks like we are going to an area of more strict controls. New York City, the United Kingdom, Sweden, Israel, Paris, Cairo have all demonstrated that strict controls severely impede the functioning of the housing market as well as the labour market.

We have seen instances here in the past several weeks of people being put out of work because of the uncertainty caused by this pending legislation, in particular the retroactivity, whereby not only do we have a two-month retroactivity clause in part VI-A of the bill which prevents any increases coming into effect for modifications and upgrading of housing effective back to the beginning of October, but this retroactivity provision is even applying to landlords who had previously made application, as long as

what they had made application for was for rents commencing after 1 October. The uncertainty that this has caused and the signal given of the tightening of the controls have already created hardships in the construction industry, as well as possibly leading to further problems in the availability of rent, although with the economy in a difficult situation we have seen that vacancy rates have increased lately.

Those two items are our main complaints about this particular bill. We do not like rent controls in general, but we do not like to see the tightening that is coming up due to this bill and we do not like to see the retroactivity.

Mr Eastman: In closing our formal remarks there is one other consideration that I would like to leave you with and that is, even prior to the current recession we in the chamber have seen a serious erosion of business confidence that it makes sense to be in business in Ontario. I think that is regrettable. That loss of confidence has some very direct implications for the number and quality of future job opportunities in this province. Rent control legislation seriously affects business perspectives of this province and how it will be treated by this government, and that is true even for those businesses that are not directly involved in the rental housing or construction markets. Thank you.

The Vice-Chair: Thank you. Is it the pleasure of the committee we divide the remaining time evenly? I presume it is. Mrs Poole, do you have some questions?

Ms Poole: Yes, thank you, Mr Chair.

First of all, I would like to thank the chamber of commerce for your presentation today and for a specific perspective. Have you done a survey, whether formal or informal, of your members to indicate what impact Bill 4 would have on them?

Mr Eastman: No, we do not have any formal survey. We have had some informal feedback which has been, frankly, quite negative.

Ms Poole: But you have had anecdotal experiences related to you by some of your members.

Mr Eastman: Yes, there has been some that has been fed to us. It certainly has got their attention.

Ms Poole: You mentioned the loss of business confidence that has been engendered by Bill 4. How widespread has it been since the bill was first announced? Do you, for instance, have members of the chamber of commerce come to you and say, "We don't plan to pursue business in Ontario," or that they see at some future date that they will be pulling out? Has it come to that stage or is it a general mumbling saying, "We don't think this is good legislation"?

Mrs Matthews: Actually, we are in the process of collecting that information. We have put a call out to our members to get a sense of what is happening in the local communities. As I mentioned in my opening remarks, with 165 local chambers and 65,000 business members, it is not a simple task of just a few phone calls. We like to get the input of our members, and unfortunately the time lag of doing that sometimes does not allow us to have those

answers when we come to presentations. But we are in the process of collecting that, yes.

Ms Poole: It appears from presentations that have been made to our committee that the retroactivity clauses are far more widespread and far more excessive than originally believed. The original idea was that it was for rent increases that would be effective as of 1 October, but when one looks at the chain and how rent review works, it becomes apparent that it is not 1 October, because first of all, if they did capital repairs, the landlords would have to have applied it by 1 July, given the 90-day notice. Not only that, they would have to have substantively completed the construction work and the capital repairs before even making application, so the retroactivity in that case and in the case of financial loss could go back a year, two years, even three years in some instances.

Mrs Matthews: For the process.

Ms Poole: In the process. Would you like to comment on the retroactivity, whether you, in your many years in the chamber of commerce, have ever seen legislation that would have retroactivity that went back that far in history and into another government's mandate, or if you have any comments to make on the retroactivity in general?

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Mrs Matthews: Certainly from a philosophical position retroactive action is just the bane of the business community. Current economic times are uncertain enough, but when you think you have the right to proceed with certain actions that require you to put out substantial amounts of money and to then have that changed is unacceptable to the business community. We cannot function in that kind of climate. It sends everything else into uncertainty as well, as to what other changes might come down the pike. It does have an influencing result on your future decisions.

Ms Poole: So you feel that in a very widespread way it has sent out a dangerous signal to the business community.

Mrs Matthews: A negative signal, yes.

Ms Poole: In your presentation you mentioned a question that you felt had not been answered by the government, and that is the core legislation, the rent review system that has been in place in the last five years. Is the core premise of that legislation wrong? Would you perhaps like to give your comments on whether you feel the system we have had in place for the last five years, with all its warts and maybe loopholes, could be workable, and whether you as a chamber of commerce would agree with the basic principle of it?

Mr Eastman: We believe that the premise is fundamentally wrong regardless of which way you have it. If you have it in a mild form which confers relatively little, in quotes, benefits to the renters, it does less harm, but it still does harm. If you want to have a functioning rental market, then I think it is important to reconsider the whole rent control legislation. The objective in the first place presumably was one of meeting the needs of low-income people who had requirements for accommodation at reasonable prices. Rent control legislation is the wrong way of solving that problem.

Ms Poole: I think Mrs O'Neill has a question as well.

Mrs Y. O'Neill: I just want to go back to your statement about the data you are collecting. I hope, first of all, that you are going to present your remarks in writing and that you will be presenting to this committee the data that you are in the process of collecting, because we are certainly not complete with these hearings this week and it would be very helpful, before we get to clause-by-clause, to have the data you are collecting.

Mrs Matthews: Yes, we will attempt to get you as many concrete examples as we can.

Mrs Y. O'Neill: If it is an interim report, that would be satisfactory as well.

Mr Tilson: Hopefully the second to last statement made by you would influence the Liberals to change their support of this legislation, because, as we know, they did vote for it. I happen to agree with many of the things you are saying. I would like you to comment specifically. Several people making submissions to these hearings have commented on the issue of refinancing, specifically for the need for capital investment or capital renovations or just general refinancing. Many of them have expressed difficulty in obtaining this refinancing from institutions. Do you have any facts or information that would support or deny those comments?

Mr Cook: Those are some of the facts that we are endeavouring to obtain from our members. Theoretically it makes sense, obviously, that if it is likely that the housing stock you now own is going to deteriorate because you cannot recoup your expenses in renovating, then the lending institutions are going to be less willing to provide you with financing to maintain those.

Mr Tilson: There have been other statements made—I guess I am looking for your reaction among your membership or feelings that you have had from calls that you have had as to specifically supporting or not supporting the statements that have been made to these hearings or in correspondence that we have received—that there have been substantial job losses, already and projected, and that there has been substantial loss of contracts, actual and projected. Do you have any information on those that might assist us?

Mr Cook: Once again we have feedback from our members in general terms. I know personally of a couple of owners who have not gone ahead with projected renovations in their buildings and therefore have not provided jobs that they had anticipated providing in 1991, and are waiting to find out whether or not this legislation is going through and what in general is going to happen. The responses I am getting are that this is a supposedly interim piece of legislation that has a sunset clause in it, so in 1993 this clause will be done away with and at that time there will be something new and different to replace the present rent review act. The people I have talked to are waiting until that time before they decide what they are going to do, if they can afford to wait.

Mr Tilson: You commented in one of the earlier questions with respect to feelings that you have had among the

investment community, at least within and without the province, as to investing in Ontario. Have you had any specific comments made by investors with respect to their reaction on Bill 4?

Mr Cook: I have had one comment from a person who has heavily invested in rental accommodation in Toronto who has simply stated that he is not putting any more money into that sector of the economy. That is all.

Mr Tilson: It has been stated that there is a percentage of well-off tenants, people who are very well off, who are receiving benefits from this rent control legislation on the one hand, and on the other hand there is outright poverty in this province, specifically in the urban areas, where no amount of rent control legislation will help those people; no matter what the rent is, they cannot afford their rent. In your inquiries do you have any percentages or estimated percentages at either of those ends?

Mr Eastman: We do not. We know that it is a factor and that it is out there. We do not have any numbers to put to that.

Mr Tilson: How in your view will this legislation harm tenants, because it has been repeatedly told to us that it is going to be of great benefit to tenants?

Mr Cook: In two ways: One, tenants who have growing families will rent accommodation to suit the size of family they have at the time they obtain that accommodation. If they find themselves in a rent control situation when a member or two additional members of the family come along, whether they be children or parents they have to take care of, when they go to find alternative accommodation they come to the realization that they cannot find anything close to the price or even related to the price that they have because their rent is controlled.

Then they find that they have to live in more confined space because they are unwilling to lose the rent control advantage they have acquired over the several years they have lived with the rent control legislation. Therefore, the families become a little restricted, the whole family unit becomes a little restricted and the economy suffers because then that expanding family is not out on the market looking for more suitable accommodation.

Second, from the landlord point of view with not being able to recoup expenses on maintaining the property or even enhancing the property, this same family finds its housing accommodation deteriorating to some degree and therefore not only are they, if they are expanding, living in more cramped quarters, but they are living in accommodation that is not the quality they would like to have or would have if they were able to simply move and therefore had that threat over the landlord and therefore gave him an incentive to keep the property up.

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Mr Tilson: I would agree. The Minister of Housing has repeatedly, in the House and outside the House, stated that the main reason for the implementation of Bill 4 is rent increases that are above the guidelines for luxury renovations, and second, for the flipping of properties that has caused increases. Do you have any thoughts on those types of statements?

Mr Cook: If we had a free economy in housing, landlords who attempted to force unwanted renovations and luxury renovations on tenants would not be able to do so because tenants would have alternatives. They would be able to move somewhere else. They would stay only if they wanted those improvements. Second, there have been abuses definitely documented and those are the kinds of things that get the headlines, but they are really a very small percentage. We do not have the figures to tell you, but it looks as if those instances are a very small percentage of the housing market.

Mr Tilson: This committee has not seen those figures either yet, I might add.

Mr Cook: They would be very difficult to get.

Mr Winninger: I have appreciated your remarks. I wonder if you are aware that when the present Residential Rent Regulation Act was passed on 15 December 1986, many portions of that act were retroactive to a full 18 months before, back to August 1985, including a provision that buildings with rents over \$750 would come under rent control and be exposed to only a 4% guideline that year. Did you criticize the government of the day at that time for the retroactive nature of its legislation?

Mr Eastman: I cannot recall whether we dealt with that specific retroactivity. It certainly is a continuing problem. We will not claim that retroactivity is unique to this legislation. I think it is unique in terms of its reach on the capital spending.

Mrs Matthews: I think it would also be fair to say that the chamber's position has been consistent through this whole process of the rent control legislation. We took exception when it was introduced by the Progressive Conservative Party, we took exception when it was extended and we take exception now. Our position has been consistent for the valid reasons that we put forward today.

Mr Winninger: There was a suggestion made, I believe by Mr Eastman, that somehow the advantage Greymac took of the system when it flipped buildings several years ago was excusable because of the rent control guidelines that had been foisted upon Greymac. Is that the suggestion you were making: that somehow they were desperate to find a loophole because of the rent review guidelines that they were controlled by at the time?

Mr Eastman: No, I was not suggesting that created a specific desire on their part. What I am saying is that it created a situation where you have established a market distortion and people try to take advantage of that market distortion. Having basically squeezed the market balloon in one location, having it bubble out someplace else, to then expect that people will not identify that bubble and try to find ways of taking advantage of that is seriously naïve. That is not saying that I excuse what was done. I do not. But to create that situation and expect that people will not then try to take advantage of these distortions is naïve.

Mr Duignan: Thank you for coming this afternoon. Some landlords have used the argument that they are operating at a loss and basically have no capital reserves to make necessary improvements. Do you honestly believe it

s fair to ask tenants to continue to subsidize new landlords, especially after years when they have been paying for maintenance that in most cases they have never received?

Mr Eastman: I think we have taken the subsidy and turned it on its ear when you phrase the question that way. The subsidy that has been taking place has been one of the landlord for the tenant. I think if you then want to have construction, if you want to permit the market to operate, you have to find some way of reducing that subsidy, of finding ways that you can permit active decisions of a business nature to continue taking place.

Mr Duignan: Basically you have not answered the question. Should tenants continue to subsidize landlords for bad business judgements, in some cases bad financial advice?

Mr Eastman: Your premise is wrong. The subsidy is taking place in the other direction.

Mr Cook: How do you feel the tenants are subsidizing the landlord if the landlord is operating at a loss? Are you saying the landlord made a mistake in paying too much for the property?

Mr Duignan: Yes.

Mrs Matthews: Tie one hand behind his back and then tell him he made a mistake.

Mr Eastman: In a functioning market, any tenant who thinks he is subsidizing a landlord is perfectly entitled to move to other accommodation. The fact that other viable accommodation does not exist, I think, is a telling statement about the impact of rent control.

Ms M. Ward: Actually the question that was in my mind when I put my hand up has been effectively asked by Mr Winninger here. When you spoke of Greymac, I was not quite sure what you meant and David asked you if what you meant was that the rent control situation created that. As I recall, Cadillac Fairview sold these buildings to Greymac Trust for \$270 million. They sold them to Kilderkin Investments the same day for \$312 million. They turned around and sold them supposedly to a group of numbered of companies for \$500 million. So we have gone from \$270 million to \$312 million to \$500 million. Your premise is that this was created by rent control legislation?

Mr Eastman: I am suggesting that the only reason people felt that apartment buildings could tolerate a price tag of \$500 million was because on an open market the tenants would pay sufficient rent to justify that price.

Ms M. Ward: They were not an open market, though. As long as they could pass that increase on whether it is open market or under rent controls, then this is where the impetus—

Mr Cook: That is correct; because of the loophole we are talking about. The situation was created by the fact that the loophole in the legislation was that they could recoup those amounts based on financing at \$500 million.

Ms M. Ward: Could they not recoup them also if there were no rent controls?

Mr Cook: It is unlikely that they would have felt the need to. If it had been an open market and no rent controls, it is unlikely that there would have been a flip. The first sale would have been for the market value of the homes which would have been for whatever rental income could be gained from them.

Ms M. Ward: There were criminal charges laid in that case, so I suspect there was more than those free market forces at play there.

Mr Drainville: You raise the issue of fairness and the fact that there is significant interference on the part of the government in terms of this kind of legislation. The whole question of fairness, of course, is germane to this discussion. So I would like to put the understanding that we presently have a situation, even under rent review, where tenants receive increases of 10%, 15% and 20%, yet their increase in terms of their salary is 4.5%, 5%, maybe 6% at the utmost. What of that kind of fairness? Do you think it is fair that landlords have that kind of opportunity, not just one year, sometimes repeatedly year after year, to increase the rents of tenants beyond what they can possibly pay in terms of their own salary?

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Mrs Matthews: The use of statistics and percentages has to be taken in context. A 10% or 15% increase on a \$600-a-month apartment is different from a 6% increase on a \$30,000 salary. I would like to know what the amounts are rather than just using percentages. Maybe the \$50 a month is appropriate, even though it is a 10% increase in the rent.

Mr Drainville: The point that I am trying to make is that there are many tenants across the province of Ontario who cannot afford to pay those kinds of increases each and every year. You say you need to have precise examples. What I say to you is that most tenants in Ontario do not have the capacity to be able to incur that kind of increase year after year after year. When you say that fairness is an important point, you are absolutely right. But the question is, fair for whom?

Mrs Matthews: I guess the ideal situation would be fair for both parties. We came here today certainly with the proposal that there are people in this province who do need assistance and that this assistance should be available to them. What we came to object to was a rent control net that catches everyone, those who can afford to pay, and therefore the disruption in the free market that has also taken place.

Mr Cook: It is also our impression that if there were a full, free market economy—

The Vice-Chair: Thank you. Your time has expired. Thank you very much for your presentation. I know the committee looks forward to your written remarks, which we will read very carefully.

At this time I would like to make some announcements just for the information of the members on the committee. You have before you a yellow calendar which shows this week there is one minor change. The hearings in London will begin at 9 rather than 10. The clerk will be distributing

to all members later this afternoon your complete personal itinerary for this week.

MULTIPLE DWELLING STANDARDS ASSOCIATION

The Vice-Chair: The next presenters that we have are the Multiple Dwelling Standards Association, Jan Schwartz, president. Good afternoon. Welcome to the committee. You will have 20 minutes to make your presentation, followed by 20 minutes of conversation with the committee. I am sure they will have some questions for you. Would you begin by introducing yourselves, indicating what position you may have in the organization.

Mr Schwartz: If I may catch my breath, I was running to make it on time.

Mr Chairman, committee members, first I would like to introduce myself and my colleagues. My name is Jan Schwartz. I am the president of the Multiple Dwelling Standards Association, on whose behalf this submission is being made.

In the last 15 years, I represented our association before a number of legislative committees such as this one. In 1986, I served on the Rent Review Advisory Committee—that is the advisory committee to the Ministry of Housing—when Bill 51 was being debated.

The attached page with our submission briefly describes the history of our organization and gives kind of a profile. We were incorporated provincially over 20 years ago, in October 1970. We are not developers or builders. Almost all of our members have become landlords by way of purchasing the building rather than having it built.

My three colleagues are sitting next to me. This young fellow is Peter Steffens, from Kitchener, and he had the misfortune of purchasing a building within the last year or so. He will tell you his story himself. This distinguished-looking gentleman, who is a senior citizen, has been in Canada for 22 years, and he is an owner of a 16-year-old apartment complex. It is not an apartment building; they are town houses. His is a remarkable story because it involves the Ministry of Energy. He tried to save energy and he approached his tenants—of course, the rents in such cases would be reduced if the tenants are paying for their individual meters themselves—naturally the tenants had nothing against it and would save energy. Each one would look after his own meters, a very good idea.

Mr Li, being the conscious and careful man that he is, approached rent review before he got into the project. He applied for a conditional order. He got a decision that if he spends the money in accordance with the planned presentation, this is what he would receive in terms of an increase. The increase was not really that great, it was about 15% including the guideline statutory, not on top of it.

When Mr Li received the decision—well, you know the rest of the story. He was caught by the moratorium because although he applied back in April, the last increase took place in February 1990; therefore, he had to wait until February 1991, and that is history. He will give you more details in a few minutes.

The third colleague is John Plohl. He is one of those who does most of the work himself. He is a licensed

plumber, he can do electrical work, he can do everything, and he got this bright idea of becoming a landlord. The building was obviously an older building and needed a lot of work, but he thought he could do some of the labour himself. He even moved into the building. He sold his house because he needed the funds to do all the work. Anyway, you can ask him questions later. All three of my colleagues will tell you their stories.

The cases of these three landlords who are here with me will make it quite clear, I am sure, that the claim by the Minister of Housing that only those landlords will be heard who can well afford it is wrong. The truth is quite contrary to this claim. It is the small-scale landlords who own no more than one or two buildings who are going to be the main victims of the retroactive feature of this act. They are the ones who can least afford these devastating effects of Bill 4 if it should be implemented the way it is now.

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A number of deputants who appeared before you last week presented you with numerous facts and figures disproving the minister's claim that the proposed amendments are necessary to stop speculators and other unscrupulous owners causing economic eviction to many tenants. Due to the limitation of time, we will try not to be repetitious. We firmly believe that two simple amendments to the current rent review legislation will eliminate the problems of high increases.

Here are the two simple amendments that we would propose: (1) to introduce a cap, a limit of somewhere between 5% and 10% on increases due to necessary capital expenditures which could no longer be ignored; (2) to disqualify second-round purchasers from claiming financial losses until they own the newly acquired property for a minimum of three years. Similar legislation was passed in 1982 in the aftermath of the sale of 11,000 units formerly owned by Cadillac. These two amendments would eliminate both the so-called flips and also so-called, or maybe truly, luxury renovations.

So much for reasonable and effective amendments. Having said the above, I suggest that we should honestly examine and take a closer look at the genesis and aims of Bill 4. Is it really a bill just to introduce some changes to the current rent review system? We do not believe it is. Frankly, it goes much further. To any reasonable and unbiased observer, the conclusion must be clear: Bill 4 in its present form is a deliberate and determined attempt to change the whole structure of ownership of rental housing in Ontario. A tradition which we have known for many, many years is being challenged. Namely, it is the eventual taking over of rental housing away from private hands and placing it into the hands of some non-profit organizations.

No less a person than Premier Rae himself expressed these views in an interview given to the then chairman of the Federation of Metro Tenants' Associations in the fall of 1989, a year before Mr Rae assumed power last September. Rather than quote Mr Rae out of context, we have enclosed the complete text of this interview word for word as it was printed in the Tenants' Bulletin, fall 1989 issue.

We suggest that you read it carefully and draw your own conclusions. Having read it ourselves, we had to

conclude that the ideas expressed by Mr Rae in that interview formed the basic blueprint which the current Housing minister, Mr Cooke, is following in his introduction of Bill 4.

This brief is respectfully submitted for your consideration by the Multiple Dwelling Standards Association. I would like Peter Steffens to briefly tell you about his plight.

Mr Steffens: Thank you, Jan. Before I begin, please let me point out that from November 1990 I have been in continual communication with the Ministry of Housing and our local MPP, Mike Cooper of the NDP, neither of whom informed me of these hearings. It is only through an organization such as this that cases like ours may be heard. I will briefly summarize the material in the enclosed letters that have been submitted, letters from my parents, my wife and me.

In the winter of 1989-90 we pooled our financial resources, my parents' retirement funds of \$140,000 and savings of my wife and me of \$20,000, which was to be used for the eventual down payment for a home since we ourselves presently rent. In April 1990 we took possession of a well-kept apartment with 11 spacious units, backing on to a creek. However, the rents were significantly lower than non-profit housing in the immediate area.

Before and after the transaction, we consulted extensively with the rent review office to follow the existing legislation and abide by it. The rent review office agreed the rents were below market value and assured us, by following the existing legislation, the rents would slowly be increased to a break-even point. We also acted on their recommendation to delay the annual increase from 1 August to 1 November.

Currently, nine out of 11 tenants are voluntarily paying the proposed new increase. The current annual loss far exceeds the salary of either my wife or myself, who both work full-time. Real estate appraisals based on this proposed legislation will wipe out our entire equity of \$160,000.

The real questions are: Who will make up the financial shortfall in five or 10 years? Should our wages and my parents' future retirement fund subsidize low-cost rents for others? The fact that this government moves back in time and reverses decisions made eliminates all our faith in our government. This draconian retroactivity, questioned even by legal experts, must be thrown out. The retroactivity and elimination of justified financial losses will bankrupt us. It punishes us for what? For abiding by the law.

If this government wants to introduce legislation that promotes non-profit and subsidized housing, then let the government pay the bill. Average-income families such as ours cannot afford to subsidize housing indefinitely. Premier Bob Rae is on record as stating: "Make it less profitable for people to own it. You say to them, 'If you are unhappy, we will buy you out.'" Well, I suggest to this party, put your money where your mouth is. My wife and I will donate our \$20,000 down payment for a home to your cause. Attached is an offer valid until 1 May 1991. Legislation such as this makes a mockery of a political party that calls itself democratic, fair and just to all.

Mr Schwartz: Thank you, Peter. Dollar Li will say a few words.

Mr Li: Ladies and gentlemen, my English is not so good. I hope to make it clear.

Number one, we own a town-house complex in Brampton. We have had this for 16 years and the property itself is about 30 years old. In other words, we are not speculators. Most people think that some of the people may be speculators who buy and then sell three years later, but we have held this property for 16 years.

Number two, those renovations are necessary. They are not luxuries. It was necessary that we changed the windows and doors. Lots of tenants in the past few years complained that the window frames deteriorated so the wind blew inside the kitchen or the family room. Even if you put caulking on the side it still does not work, so we decided in this case we better change to new windows and doors, aluminum, and you do not need to paint every two or three years. Those renovations are necessary, not luxuries.

1400

Number three, we do not have any other investment properties. This is the only one, and we make our living on this. We are all retired people; four of us are partners. I myself am 75. So we are all old people and rely on this source of income. During these renovations, we did not have enough money. We all had some money from our own pockets, and some money we had to borrow from the bank, and we pay 14.5% interest on these renovations. So the total amount we spent was \$220,000. In this case, if we cannot increase the rent and suffer this, we do not know how to do it.

The main thing is that we applied first to the Ministry of Housing, on 1 April, planning for this conditional order. The Ministry of Housing gave me a conditional order. He said, "If you follow this form, we will increase you 15% including guideline." In other words, 10%. So we obeyed the order. We obeyed the law. We continued to shuffle around with different contractors and completed the job and paid off all the contractors. Now the new government says, "We do not honour this commitment made by a former government." This is unfair to me.

To give a very simple example, I owe Mr Peterson's government some money and now the NDP comes up, so okay, I forget this debt to the government. Can I do that? Similarly, the new government should and must honour the commitment made by a previous government. That is all I want to say.

Mr Schwartz: John, do you want to say a few words?

The Vice-Chair: Just for your information, I would tell you that you have about one minute left.

Mr Plohl: Then I have to say very few things. I own a building at 2336 Weston Road and I recently did some capital expenses, which were waterproofing and renovation of two elevators in the building. That cost me approximately \$198,000. I did that last year from February till August. To do these repairs I sold a house which I owned and I moved into the building because I did not have another means to do it.

I am really disappointed that I cannot get back any of the money I put in. If I had this in the bank, I would get some return. I am a full-time plumber. I am working every day. Today I had to stay home because of this hearing. It is not fair, really, because waterproofing was absolutely necessary to stop the deterioration of the foundation of the building and everything else. The elevator was 27 years old, and tenants were complaining. I have a lot of old tenants. Some are even in wheelchairs. I cannot afford to have it like this, somebody stuck in the elevator so many times, so I did this. I did not really plan it; I would rather do something else, like windows or something, but I had to do those two things.

The Vice-Chair: I am afraid I am going to have to stop you, but I am sure the committee will pursue your point as we go through the questioning and give you an opportunity. In terms of rotation, the PC caucus is first.

Mr Tilson: This statement of Mr Rae's was first raised by myself in the House and has been subsequently repeated in the House. There is no question about the quotation you have referred to: "There will be a huge squawk from the speculative community, and you say to them, 'If you're unhappy, we'll buy you out'...I also think we need a government program of purchase."

It is quite clear what the government intends to do. It intends to deflate the housing stock and literally buy them out. That has been stated in this article, it has been raised in the House, and I keep waiting: Mr Rae has had an opportunity to deny that statement. I would look forward to someone of authority in this committee who can actually deny that that is Mr Rae's plan.

Mr Turnbull: Mr Schwartz, how many members do you have in your association?

Mr Schwartz: At present, we represent about 52,000 rental units across Ontario. On the average, a member owns about 32 units, roughly, so we have about 1,500 members.

Mr Turnbull: So it would be fair to say that you represent an awful lot of very small landlords.

Mr Schwartz: Yes, it would be correct.

Mr Turnbull: Would you say that the people who are beside you today are representative of the kind of owners you have in your association?

Mr Schwartz: Yes, it is a cross-section of our membership. We believe that it is also a cross-section of landlords in Ontario. Actually, the perception that big developers, builders, own most of the apartment buildings is wrong. The majority, the bulk, is in the hands of small landlords such as the ones you are seeing today.

Mr Turnbull: It seems to me we have heard so many stories about marble lobbies. We all know that marble lobbies have been put in, it is not fictitious, but it has been built up to be something of a major item. Would you say any of the people in your association are putting in marble lobbies?

Mr Schwartz: I do not know of any who have been putting in marble lobbies.

Mr Turnbull: Consistently the stories we have been getting are of people who are upgrading their buildings, putting in new windows, repairing underground parking garages, repairing balconies and putting on new roofs and fixing the plumbing and wiring. Is it a reasonable assumption that your association would also fit that?

Mr Schwartz: Let me give you a little broader answer. Under the previous rent review law—not Bill 51 but the one before that—landlords could apply for regular maintenance and repairs at any time. There was no fixed amount for maintenance and repairs, as it is under the current law.

Mr Turnbull: How much is it under the current law?

Mr Schwartz: In the current law it is just a guideline. You cannot apply for repairs and maintenance just for that. There is no provision.

Mr Turnbull: For capital items, within the present guidelines how much is allowed?

Mr Schwartz: When I served on the advisory committee, this issue was discussed. Within the guideline it is assumed that about 1% would be spent on some minor capital expenditures.

Mr Turnbull: Would it be reasonable to suggest that, with 1% of the guideline per year as an increase with respect to major capital items, in the normal course of events you could build a fund to be able to put on new roofs or repair underground parking garages or put on new balconies?

Mr Schwartz: Of course not. You would have to wait 50 years to build it up.

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Mr Turnbull: What would be the effect if you did wait 50 years?

Mr Schwartz: The roof would fall in.

Mr Turnbull: We have heard that only 17% of units go to rent review each year for anything beyond the guidelines.

Mr Schwartz: The key words are "in any given year." It is true that in any given year no more than about 17% do go through rent review, but there are many that go one year and then do not go for the next three or four years.

Mr Turnbull: So when they are going they are typically going for a major capital item that needs to be done and cannot be done every 50 years.

Mr Schwartz: Yes.

Mr Turnbull: What will be the effect of retroactivity on your members?

Mr Schwartz: The retroactivity is the worst part of this entire bill. It would be devastating. One of the best examples is my friend Peter sitting next to me.

Mr Steffens: Can I just have one minute to answer the question?

Mr Turnbull: Surely.

Mr Steffens: Just allow me to read a little, referring to a study conducted by Professor Andrew Muller, McMaster University: "By removing the provisions for financial loss,

current building values will decline by 25.7%. The province will have wiped out \$15 billion in equity." This enormous devaluation is not speculation, but it is real life. Could you imagine the public outcry if a government introduced legislation that devalued their homes by 25% to 35%? The introduction of this legislation will totally wipe out our down payment for a home and the invested retirement funds.

Mr Turnbull: I think you have answered my question. This is exactly what I am getting at. We have had so much testimony. Not surprisingly, we have had testimony from tenants who have said how awful landlords are, that they are not keeping up their buildings and they cannot afford to pay any more rent. We have had testimony from landlords saying that they are going to be wiped out. I would suggest that there may be truth on both sides, but the reality that is implicit in all the arguments the NDP has ever made is that the very low income landlords make on apartment buildings on average is offset by some capital increase. I would ask how you get a capital increase in a building to ever realize a normal profit if you are not allowed to pass through the cost of renovating the building. With buildings, the state of affairs is decelerating quickly. Is that fair to say?

Mr Schwartz: Certainly. It is like a car. It has a certain life span. Beyond this there are major repairs required, and then it reaches the point where maybe it is not worth repairing any more. But of course we have another problem about that.

Mr Winner: Mr Steffens, I must confess I am finding some difficulty in feeling sympathy for your case, and I will tell you why in basically two points. You attach a letter from one of your tenants indicating that tenant's support of you. However, when you read the letter closely you find two things, that the tenant had a toilet that was not working for six months after you acquired the building, and you were munificent enough to allow that tenant to get her boyfriend to repair the toilet and to pay for the receipt. This was a toilet that had not been working for four years. Second, you allowed the tenant to paint her own apartment—you never undertook to paint it—and reimbursed her for her receipts. That is the reason she sent that covering letter to you.

Let me tell you the second reason I have difficulty feeling sympathy for you. You bought a building, you talked down the purchase price to \$525,000 in early 1990, you expected that you would bring that rent up to what you call the break-even point—that is in your statement—in five years, and you delayed the first rent for three months so you could justify a higher rent in your first year of ownership. How can you honestly expect us to feel sympathetic to you when you were going to raise these tenants' rents year after year by more than the statutory guideline to bring the rent up to what you felt was a break-even point?

Mr Steffens: I suggest you mention the rest of the letter, too. That \$200 for the paint alone was paid out of our wages. The Minister of Housing and the Premier continually harp about rent increases above the guidelines for

luxury renovations or financial loss from the flipping of properties. This is just to bring us up to a break-even point.

Mike Cooper also suggested that maybe we overpaid for this property or bought it at the wrong time. We have had some real estate appraisals done on this property, based on the existing rental income, which, I point out, is lower than the non-profit housing down the road run by the university, significantly lower. These appraisals come in at \$320,000 to \$350,000, values equivalent to single detached homes on the same street, or a value equivalent to the land alone it stands on. Is this government proposing to introduce legislation where land will be worth more than the building itself, operating at a loss? Do we want to create a Bronx in Ontario, where buildings are going to be burned and abandoned?

Mr Winner: Just to conclude, I put it to you that you purchased that building on speculation so you could sell it five years hence for a lot more money than you paid for it, and all of that reward was on the backs of your tenants. I will defer to the other members.

Mr Steffens: Would I be able to comment on that, please?

The Vice-Chair: Certainly.

Mr Steffens: If we were just in this for speculation, as all these members continually harp on, and the Minister of Housing, David Cooke, and Bob Rae also, we would have sold this property one week later. We were approached by our real estate agent with an offer from Toronto investors for \$25,000 more than our purchase price. That was in a slow market. The reason we came across this property that was so well-kept was that it was not on the multiple listing service. They offered us \$25,000 more, were not interested in the vendor-take-back mortgage—10% only, 4.25% below the existing mortgage rates which we received. If you know how to work a calculator, or the Minister of Housing, then I suggest you try to calculate the return on that, more than doubling our money in one week without taking possession. That is speculation. We were interested in a long-term investment, and this was to be a secure long-term investment for my parents' retirement.

Mr Cooper: This is the thing I would like to address. On page 3: "This was to be a secure long-term investment for my parents' retirement." The truth is that about 1% of landlords fail, whereas in the regular investment world it is about 50% failure for brand new businesses. With any investment you have to take certain financial risks. What you were looking at was playing with the system and using the present system to build up and you would have, as you are saying, a secure investment. If you take any risk at all, should it be the government's position to bail you out? It does not bail out other industries.

Mr Steffens: I am not asking for the government to bail us out, but if it wants to introduce legislation that promotes, as I said, non-profit or subsidized housing, let it foot the bill, not average-income families.

Furthermore, I will quote from my father's letter: "For more than 34 years as an Ontario resident, coming from a European background, my wife and I always considered real estate to be a safe and secure investment. While we

were willing to accept a lower return on our investment than we would have received if we invested in other money markets, we felt that the real estate would give us a greater long-time security." The failure rate is a lot lower because the risk is lower. Why is the risk lower? Because the return is lower. Risk and return are co-related.

Mr Cooper: But basically what you have come into is bad timing, like I explained to you, because I have been following this case. You were planning on playing a system that was in place.

Mr Steffens: No, we were abiding by the law and we are being punished by it.

Mr Cooper: You were playing by a rent review system.

Mr Steffens: Abiding by the law—legislation which, I may remind you, the NDP also supported when the Liberals brought it in.

Mr Cooper: We did not support the Liberal legislation.

Mr Steffens: That is what I have been told.

Mr Schwartz: You voted for it.

Mr Winninger: The Conservatives and the Liberals voted together.

Mr Tilson: Of course.

The Vice-Chair: One conversation at a time, please.

1420

Ms M. Ward: I would like to correct that. That was stated, not stated out loud but stated in the newsletter which was attached to a submission last Thursday. It did not really say we voted for it but it insinuated it, and the actual fact was that the NDP and two members of the Conservative Party voted against Bill 51 in 1986.

Having made that statement, I want to make another statement and then ask a quick question.

I was surprised, when you started with your presentation, to find that you were a group of landlords, because your name, the Multiple Dwelling Standards Association, suggested to me some type of self-governing body which maintains standards for landlords, which would be a nice thing to see. But that is not your function, is it?

The Vice-Chair: Question?

Ms M. Ward: That is my question. You are a collection of landlords, not with any governing body and any control over your members.

Mr Schwartz: We are duly incorporated under the provincial law and have been since October 1970. This is our 21st year. You have never heard of us because I guess you were not interested or you were not involved.

Ms M. Ward: No, what I am saying is, that is not your—

The Vice-Chair: We will now move on to the Liberal caucus.

Mr Mahoney: You're like a union.

The Vice-Chair: Ms Poole has a question.

Ms Poole: It appears that the NDP members believe there should be risk attached in following the law of the land, and I personally have a great deal of difficulty in

following their logic on this point since the decrease in equity that this gentleman is talking about came about not because of speculative risks but because the bill which you have proposed is actually going to decrease his equity by some 30%. To me, there should be no risk involved in following the laws as set out in the Legislature.

Now that I have had my little moral preaching for the day, I actually have a question for you.

Mr Drainville: Don't stop now.

Ms Poole: You have mentioned that you are in a precarious financial position because of the proposed Bill 4, that you would have a financial loss of something like \$35,000 per year and that the salaries of you and your wife accumulated come to just over that amount.

Mr Steffens: Yes, that is correct.

Ms Poole: I am curious what you will do when you have ongoing maintenance and major repairs that are above and beyond what you collect in the rents. Are you going to be able to do that maintenance? Would you put in the same degree and the same level of care if you were experiencing severe financial loss than if you were not?

Mr Steffens: No, and this is why I go back to David's question also. The letter was attached to illustrate that right now any maintenance funds are coming from our own wages. We viewed this as a long-term investment so we did not mind pumping our own money into it. However, if the introduction of this legislation, as it is proposed, is going to totally wipe out our down payment, all our invested funds, there is no incentive to maintain the property any more. With no remaining equity, why should we continue to pump our own wages into this property?

Now, you may suggest that if we do not maintain the property to local bylaw standards we will be forced to by municipal governments. If, however, the money does not exist, or if one of us is laid off, will the government garnish our wages next? I understand there are proper procedures for this, but if this legislation is passed we will send a letter to our tenants explaining the situation and stating that some services will be eliminated, for example possibly garbage collection, snow plowing services, water softener salt, janitorial services and no maintenance. As a result, the rents may qualify for a reduction, but let the tenants wait now for the application to be processed. Let the tenants deal with the expenses rising by 10% to 50%.

For example, governments raised our municipal taxes by 10.6% last year, landfill taxes by 55%, but if these increases do not fit the formula or if they are deemed insignificant, they are lost in a bureaucratic void. It is evident from this legislation that tenants, neighbours and landlords will all suffer.

Ms Poole: One of my fears with this legislation is that it would encourage landlords not to put the money into maintenance, the money that they normally might put in, and I think that is a very important point.

The Minister of Housing has made it clear—I do not think he meant to make it clear, but his own statements have made it clear—that this is an abuse by a few landlords, and it appears to be quite a draconian solution to solve the abuse of a few landlords.

I have proposed in the House that there are a number of things we could do which would have the same effect of protecting tenants and yet not be as unfair as the proposed Bill 4: that there be a cap on rent increases, that only necessary repairs be allowed to go through and a provision that would ensure that day-to-day maintenance is carried out by the landlord and that in order to get the statutory increase the landlord would need a building certificate which would certify that the building was in a good state of repair.

It is an all-inclusive package. I know some landlords would like to say, "We'll take the first two but not the third," and tenants might like to say, "We'll take the third but not the first two." Could you live with this kind of package as interim legislation for Bill 4? Any of you may answer that.

Mr Steffens: The point I was trying to make is, at this point we still continue to pump our own wages in to maintain this property and we are still trying to improve it. This was to be a long-term investment, 10 to 15 years, so we wanted to maintain it. But there has to be an incentive to maintain the property. If the property is only worth the land alone it stands on, why maintain it?

Mr Schwartz: If I may make a remark about your proposal, this last part about some kind of certificate, I can see where it comes from. Your intentions are good, obviously. I am just a little concerned whether this would not be something extra along the bureaucratic way. If it could be something rather simple, perhaps it would work, but that is the only concern I have about it, a new bureaucracy on top of what we have. We have inspectors at the municipal level and we have the standards board.

Ms Poole: I am actually talking about the municipal inspectors.

The Vice-Chair: Ms Poole, perhaps you would allow Mr Mahoney the final minute.

Mr Mahoney: I want to thank you for coming, particularly because I think you put a face on the problem in the province, and that is that not all landlords are necessarily the Greenwins and Cadillac Fairviews of this world, nor are they, as Mr Rae refers to them, the 12345 Ontario Ltds, but in fact are real people who, from what you have heard, I think you can see you have to have a lot of nerve to invest in Ontario and particularly in your area these days.

I would also suggest, and I would perhaps like your comments, I do not think Mr Rae wants to buy your buildings at all. I think he wants you to quit claim them after he simply makes the value deteriorate to the point that you can no longer afford to carry them on. I think what you are looking at is a government that is bent on simply taking over the private sector interests in the rental housing market altogether and it does not much care whether your mother and father's retirement is secure or whether you lose \$165,000 or what the outcome is. They simply want to further their socialist agenda. I wonder if you had any thoughts on that.

Mr Dadamo: All of a sudden, your government has a conscience.

Mr Schwartz: I did not detect a question there.

Mr Mahoney: My question was if you had any comments on that or if you felt that perhaps that agenda is indeed reality.

Mr Schwartz: Yes. The reality is this: we have a new government in Ontario with a new philosophy. We do understand that. The philosophy is quite different from the two previous governments. It is the first time that we have had an NDP government in Ontario and we have to live with it, at least for the next four or four and a half years. We realize that.

But did Mr Rae and Mr Cooke and company realize what this retroactive feature means to the people of Ontario who happen to be landlords, the idea that, "Oh, those are landlords who can well afford to take these knocks"? What we tried to show you this afternoon is that it is not true, that those who are in the trenches, in the first line of fire, are little guys with one building, people from different walks of life who have other incomes. Some of them work in offices, some of them work in factories, some of them are senior people. His parents put their RRSP in it. And the retroactive aspect of it is cruel, it is punitive. That part we cannot live with.

The Vice-Chair: Thank you very much for your presentation. I am sure the members found it quite interesting and informative. Thank you for coming today, gentlemen.

1430

Mr Mahoney: On a point of order, Mr Chair: I am a little disappointed with the division of time for questions from each caucus to this group. I think they are a very important group and I know that my colleague Mrs O'Neill had questions and I had a number of questions that I wanted to ask with regard to their brief directly. Frankly, I think we as a caucus were short-changed on that particular delegation.

The Vice-Chair: I can assure you, Mr Mahoney, that you had seven minutes, as did the other two caucuses exactly. I would tell your caucus that if you wish to divide your time up slightly more evenly, then you might all have an opportunity of getting your questions in. But I am scrupulously fair about the amount of time each caucus gets.

Mrs Y. O'Neill: We have had that statement in the last paragraph of this brief and we have had it presented many times to us about the misinformation that seems to be there about landlords who are large and landlords who are small. I wonder if the research staff could get for us that information, how many landlords there are in the province who own more than 100 units. I think that is some kind of cutoff point.

Another cutoff point is low-rise, which is the five-storey and usually involves about 22 or 25 units. I wonder if we could have that kind of data presented to this committee so that we would know how many landlords are what are considered people who gain their income from the ownership of property and those who are in the larger business, so to speak. It is hard for me to explain exactly the differentiation, but maybe the

researchers can help us with some information that is accurate about the ownership of property in this province.

The Vice-Chair: I am sure that the researcher will do everything that can be done to come up with that information.

FAIRWIN INVESTMENTS LTD

The Vice-Chair: The next presenters will be Dr Jack Tse and Wilfred Lau of Fairwin Investments Ltd. Welcome to the committee, gentlemen. I would like you to introduce yourselves and the position in the group or organization that you represent. You have 10 minutes to make your presentation; 10 minutes will be equally divided among all three caucuses for questions following your presentation. Welcome to the committee.

Dr Tse: My name is Dr Jack Tse. I am the president of Fairwin Investments Ltd.

Mr Lau: My name is Wilfred Lau. I am the vice-president of Fairwin Investments Ltd.

Mr Chairman, members of the committee, I would, because I am not very eloquent, have to read from the prepared text. I hope you do not mind. After that, Dr Jack Tse will answer any questions that you may have.

Over the past eight years, Dr Jack Tse and his associates, many of them foreign investors, have invested over \$300 million in real estate in Ontario. About half of these investments are in apartment buildings and the rest are in major hotel properties. As a result of this investment, we directly and indirectly employ approximately 700 people in Ontario. Our initial investment objective was to acquire prime but reliable real estate holdings in Ontario on a long-term basis.

As foreign investors, we have always understood that investing in Ontario provides a lower return than in other parts of the world. At the same time, however, it has always been understood by us, at least up to 6 September, that there was value to having investments in a jurisdiction which was stable politically, which had a fair market system from a government-regulated point of view and where the future was, it was believed by us, predictable.

When we began to invest in rental properties in Ontario, we had to structure our financial strategies according to the rent review system that was in effect, whether we liked it or not. Traditionally, in a democratic society, if we follow the rules and regulations laid down by the government, we would be grandfathered from any further future changes. Therefore, we believed that once a rent review order was awarded, the phase-in provision of that order would not be taken away by any subsequent government. In short, we believe in the fairness of the democratic system. Now with this Bill 4, fairness and democracy have been taken away from this province.

On the surface, Bill 4 only dates back to 1 October 1990, but actually it is retroactive to 1986, when the Residential Rent Regulation Act came into effect. By declaring phase-in orders null and void, Bill 4 affects rent review orders that were issued four years ago. Bill 4 actually takes away from landlords the right to collect legal rent that was granted previously by lawful rent review orders. Is it not ironic that on one hand the government

always insists that only legal rent can be charged, but on the other hand, it takes away from landlords the right to collect legal rent granted to them by the previous government? This is like teaching us not to trust the government any more.

Foreign investors have a lot of alternatives. They need not choose to invest in Ontario. Investors only invest when they have confidence in the future of Ontario. By introducing legislation with retroactive effect, we see that confidence being wiped out completely. When offshore funds stop investing in real estate in Ontario, so will they stop investing in government bonds, Treasury bills, other businesses and industries.

Local landlords have been quoted in various newspaper articles saying that they do not like the policy of the present government and will move out of the province. When local business people do not even want to stay, how could you expect foreign investors to show any interest in investing in Ontario?

The other detrimental effect of the retroactivity of Bill 4 is that rental property will have difficulty in obtaining refinancing when mortgages come up for renewal. When lawful rent granted a few years ago by a phase-in order is no longer honoured by this government, a lot of buildings simply will not have the cash flow to service the debt in refinancing.

Apart from debt serviceability, cancellation of phase-in orders also causes a substantial drop in the values of the buildings. When values of buildings diminish, equities will be wiped out completely. In order to qualify for conventional mortgages in refinancing, landlords will probably have to inject more money into their respective buildings to build up their equities again. Under normal circumstances, such as when the economy is bad or when the business is not doing well itself, most investors would be willing to pump more money into their business, even if they are not expected to. But investors will not invest any further money into Ontario just because legislation is changed retroactively by the change in the ruling party. Furthermore, investors have lost their confidence in the government and will not inject extra funds into a system that is being used as a political tool.

When landlords fail to inject more equities into a building or when cash flow can no longer sustain the refinancing, the property will then have to slide into receivership. Financial institutions are already hard pressed by loans to other real estate sectors. Any further losses in loans to rental properties suffered by this financial situation will trigger a made-in-Ontario savings and loan crisis. The snowball effect on any failure in financial institutions on our already weak economy is unthinkable.

When investors' financial strategies are upset by arbitrary change in regulation, it is natural for them to look into other alternatives to recover their losses, for instance claiming compensation from the government through the judicial system. With the introduction of Bill 4, the government is indeed sending a very bad signal to the business community, both in this province and in other parts of the world.

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After talking about the detrimental effect of Bill 4, I would like to make a few suggestions.

To regain the confidence of the international investment community, the retroactivity provision of Bill 4 has to be abolished, and to demonstrate Ontario still respects fairness, all phase-in orders that were granted by the previous government must be honoured.

This government has made a very big issue out of excessive rent increases. However, if David Cooke and the Premier would release the true figures issued by the Ministry of Housing and not just keep emphasizing extreme cases, the public would realize that less than 0.5% of all the rental units in Ontario have rent increases over 30% in a 22-month period from 1 January 1989 to 31 October 1990.

With such few exceptional cases, it does not make any sense to punish and harness all landlords in the province with non-refinancing and suffering property value loss. If the government still chooses to ignore the true statistic, not only will landlords and investors suffer, but so will the people of Ontario. It seems like what Bill 4 has proposed is no different than what a government of a Third World country would propose.

If the government is so obsessed with high rent increases, maybe the answer is simply to put a ceiling of, say, 12 per cent on all rent review applications that apply on the basis of renovation or financial loss. This would then solve all of Mr Cooke's so-called problems of luxury renovation and flipping of buildings.

In conclusion, I think the government would be very naïve to think that foreign and local investors will just accept the punishment that Bill 4 imposes on them. Nor will the investors come up with the extra millions of dollars, as shown in my example in appendix A, just to support legislation that is caused by less than 0.5% of all the rental units in the province. Actually what the government tries to achieve, which is to avoid exceptional high rent increases, can be achieved very easily by other means, such as discussed earlier, unless of course Bill 4 is designed simply to buy votes.

Finally, I would like to stress that the free market system has been proven to be a most effective economic structure. Any deliberate intervention by the government will tilt the scale to one side such that the present private ownership system in the rental housing industry will be destroyed. We, as a landlord, would actually like to enjoy a harmonious relationship with tenants and operate our buildings as a normal business. We sincerely hope that this government will not take our rights away from us and undermine the democratic nature of our society.

Mr Winner: I suggest to you that it is precisely this kind of investment and speculation that has driven commercial residential property prices up in recent years. If right now you are looking at a decline in your investment value, it is not just because of the recession. It is not just because of high interest rates for purchasers of your properties. It is also because your property values have been driven by excessive rent increases which you

have gone back for year after year, and now the bubble has finally burst and you are crying foul.

Dr Tse: What is your question?

Mr Winner: The question to you is, how can you blame the NDP's policies for the diminished value of your building when it was probably overvalued due to high, excessive annual rent increases up to this date?

Dr Tse: I am not blaming the NDP. I am blaming myself to make such a mistake as to invest here. I did not expect a reasonable government would do such a thing as the retroactivity. All I can blame is myself at this point, but if Bill 4 is not going to be amended, then we have to cover our own losses through other means, which I do not have to specify in here.

Do you have any other questions?

Mr Winner: I will defer to my colleagues.

Ms M. Ward: Are you simply purchasing existing buildings or do you invest in any new buildings? Do you participate at all in the production of new rental stock?

Dr Tse: We are buying existing buildings because we just want to tuck our money away in a safe environment such as Ontario. Furthermore, we have never sold any of our buildings. Every one of them is bought for long-term purposes. In fact, when some of those people were saying about flipping and all this—

Ms M. Ward: I did not understand what you said there; sorry.

Dr Tse: In fact, when the newspapers said the rent review order is being used so people are flipping and making money, you are right. The Canadians are making money off the foreign investors.

Ms M. Ward: Could you explain that to me.

Dr Tse: We come in and we look at the rules and we look at the price. We buy the buildings and then the rules are changed. So who got ripped off? You do not understand?

Ms M. Ward: No, I thought you meant Canadian investors were making money off foreign investors.

Dr Tse: No, we bought the buildings from Canadians. They made money already. We did not make money.

Ms M. Ward: Yes. Everyone along the way has made their money and taken a piece.

Dr Tse: We have not made any money. We have been putting money in the buildings.

Ms M. Ward: That is more or less like pyramid schemes. Someone eventually gets stuck.

Dr Tse: Right.

Ms M. Ward: You are familiar with pyramid schemes. Are you still a member of the AFFORD group?

Dr Tse: Yes.

Ms M. Ward: You are here making an individual presentation, but in December they circulated a document and I saw your name in it, the name of your organization, at the time.

Dr Tse: Right; I am.

Ms Poole: Thank you for your presentation today. We appreciate the fact you took the time to come. I would like to refer to the letter from you, Mr Tse, to Bob Rae, dated 27 November, which is in your brief as an appendix. You stated that until 6 September 1990 your investment plan was to acquire a further \$500 million of similar investments in the province over the next five years. Are we to take it from your comments that you have completely abandoned those plans?

Dr Tse: At present we are not going to invest any more money until we see what is going to happen to Bill 4, because our investors have lost their confidence in this province completely at this point.

Ms Poole: I gather from the comment you made right now that you are not only not planning to invest in the rental real estate market, but that you have abandoned any plans that you had to invest in Ontario, period, in any sector.

Dr Tse: That is correct. In fact, a lot of our investments are in the hotel sector. That is where most of our employment contributions are coming in. More than 90% of the employment figures we give you are through the hotel sector.

Ms Poole: I am sorry to hear that and I hope this bill can be amended to restore the confidence that you and other investors should have in this province.

Dr Tse: I hope so, too.

Mr Mahoney: Gentlemen, you refer on page 4 to concerns about investors who lost their confidence in the government and will not inject extra funds into a system that is being used as a political tool. That is number one, and the second part of the question is, you refer on the next page, page 5, to the possibility of claiming for compensation from the government through the judicial system. My question is, could you expand on what you mean by your statement that it is being used as a political tool, and second, have you received legal advice that there perhaps is some challenge that you are considering launching in the courts against this government?

Dr Tse: We are proceeding to get some legal advice at present. The decision whether we will sue or not is not going to be made by me. It will be made by my foreign investors and their thinking is probably quite simple compared to ours. As far as they are concerned they come in here, play a chance game, play according to the rules. After they lay their money on the table, the rules change and the money has disappeared.

Mr Mahoney: On the first part, about the political tool, who do you think is playing political games and for what benefit?

Dr Tse: On the same day that Bill 4 was announced, on the same page in the Toronto Star, on one side they set the limit to 5.4%; on the other side they set, I think, welfare, the shelter allowance increased by 10%. Maybe I am stupid, but I just do not understand that. How on the one hand could you guys only get 5.4%, and on the other hand you guys are going to get paid 10% to pay for your shelter allowance? Does that mean they will be left with some

pocket change? The only conclusion I could draw is that it is a political tool.

1450

Mr Tilson: Do you have any comments as to whether or not there has been loss of jobs or loss or withdrawal of contracts as a result of the proposed implementation of Bill 4?

Dr Tse: A lot of my friends have told me that they have cancelled all their renovation programs. We originally had some renovation programs which we are not even going to put into any rent review application because we are just living on the phase-in orders. We were to cancel all of them. There is not going to be any more money put in to renovate if I am not going to get paid for it.

Mr Turnbull: Dr Tse, we heard from your colleague, Mr Lau, before on the question of foreign investment, and he mentioned at the time that foreign investors were prepared to invest in Ontario in residential housing with a lower rate of return. Could you just expand on that a little bit.

Dr Tse: As far as foreign investment is concerned, because Canada is always considered to be a very safe place to put their money, they usually are willing to accept a lower than normal return in Hong Kong or other places in the world. It is as simple as that. But I think that advantage is gone with one stroke from Bill 4.

Mr Turnbull: Dr Tse, once it is gone, even if the NDP were to reverse its position with respect to the permanent legislation, do you think it is conceivable the confidence would return to this government, to this province?

Dr Tse: It would take a long time. It would take a lot of baby-sitting to bring them back to the table.

Mr Turnbull: I think it is fair to say that this province has relied quite heavily on foreign investment for most of this century.

Dr Tse: That is true.

Mr Turnbull: Do you think that is going to have the kind of effect that we will have to live with for a long, long time?

Dr Tse: I think so.

Mr Turnbull: We have heard in suggestions by the NDP that capital appreciation is the offset to the very low actual cash flow returns. Am I correct in thinking that it is absolutely impossible to have capital appreciation unless you have some mechanism for passing through increases in the rent?

Dr Tse: I think what you said is true. Just look at New York as an example. There is your fact. Nobody wants those buildings any more in New York.

Mr Turnbull: So it is a complete myth, the suggestion that it will be offset by capital appreciation unless that mechanism is in place.

Dr Tse: That is right.

Mr Turnbull: Then we would be faced with no capital appreciation and we would also be faced with deteriorating buildings, because there was no money to flow through. We know that the housing stock is aging,

and on the other hand we would have very low rates of return, which would be unattractive both to Canadians and to foreign investors.

Dr Tse: That is correct.

Mr Turnbull: Can you tell me also, just a point on property taxes, do you know what your property taxes are on a per unit or on a percentage basis?

Mr Lau: I do not have that on a percentage basis. I have some figures here.

Mr Turnbull: Am I correct in thinking that property taxes have been increasing by a greater amount than the rent guidelines each year?

Dr Tse: That is for sure.

Mr Lau: Oh, yes. That is for sure. That is much more than the guideline. I think on the average property tax—it depends on which municipality it has been—a minimum of 8% a year increase, in some instances close to 12% or 15%.

Mr Turnbull: That has been consistent?

The Vice-Chair: Thank you, Mr Turnbull. Thank you, gentlemen, for coming and presenting your views to the committee today.

Mrs Y. O'Neill: Mr Chairman, I do not know if this is a point of order or what, but there is a terrible whistling in this room and we have a lot of hard work to do. Is there anybody who can come in and check what is causing it?

The Vice-Chair: Apparently, the clerk informs me, it is the air-conditioner and they have been checking on that and will be working very hard to correct that for you, Mrs O'Neill.

Mrs Y. O'Neill: It is not just for me. I just find it is quite annoying and I am sure I am not the only person.

ST ANDREWS TOWER TENANTS ASSOCIATION

The Vice-Chair: Good afternoon, gentlemen. I take it that you are from the St Andrews Towers Tenants Association. Would you be so kind as to introduce yourselves and your positions within that association. You have 10 minutes to make your presentation, followed by 10 minutes of questions from the committee.

Mr Gosschalk: My name is Bob Gosschalk. I am president of the St Andrews Towers Tenants Association, which was founded in 1983, a non-profit Ontario corporation which received its letters patent on 15 June 1988. With me this afternoon I wish to introduce you to Jack Squier, secretary of the executive board of our association. We wish to thank you for inviting us to give you our views and, hopefully, constructive suggestions for your deliberation and consideration.

St Andrews Towers Tenants Association, which has over 800 paid-up members and is possibly one of the largest registered independent tenants' associations in the city of North York, has on many occasions voiced its grave concern about the rent review legislation and the current Residential Rent Regulation Act, as amended many times, as well as Bill 4, which is now being reviewed and discussed before this committee.

Before we give you our presentation on how many of the current difficulties and differences between tenants and landlords can be solved, we would like to go on the record that we oppose the retroactive element of Bill 4 on the same basis as we oppose the retroactive element of decisions by the rent review tribunals that allow landlords to collect increased rents on a retroactive basis also.

As you have heard, the main cause of this has occurred because of the tremendous workload at the rent review boards. As much as the landlords are against the retroactive character of Bill 4, tenants are also against having to pay hundreds, if not thousands, of dollars in retroactive rents, which has created panic and financial hardship for thousands of Ontario citizens.

As many representatives of individual tenants' associations already have provided you with many examples of property mismanagement, lack of communication, poor business practices, financial incompetence, gross neglect and sheer greediness by landlords, large and small, our association wishes to draw your attention to a very important matter that has hardly been discussed by either tenants or landlords at this hearing.

In 1980, the provincial Assessment Act was amended to permit owner-occupied condo apartments to be taxed at the same rate as single-family housing. Subsection 65(2) of the act directs the assessment departments to assess apartment condominiums or co-op units at the same proportion of market value as single-family dwellings in the vicinity. I hope you can follow me here. This ratio is generally about one quarter to one third of the ratio for rental apartment buildings, although the difference varies with location. The Assessment Act does not allow the difference in taxation if the condo unit is occupied by a tenant.

The case of a small rental apartment building illustrates the effect of condominiums or co-ownership conversions on the tenants' property tax structure. In 1980 Toronto city council refused to consent to approval of a condominium conversion plan of the building at 609 Avenue Road. However, the owner succeeded in evicting the tenants, sold shares in the building together with occupancy rights and claimed the reduced property tax rate. In this case, although conversion and renovations increased the market value of the apartments, the lower tax rate reduced the assessment from \$244,900 to \$125,000, a 44% reduction. The reduction in assessment for owner-occupied apartment units ranges between 40% to 46%.

If, as suggested by some here the other day, tenants should be allowed to purchase their apartments, the property tax losses to a municipality and thus the taxpayers would be extremely high because of the total lack of equal taxation.

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If present market value assessment proposals are approved by this government, our tenant members, through their rent payments, will be paying real estate taxes at a rate maybe four times that of a house or condominium apartment. This is the highest rate in Metro Toronto, one third higher than commercial properties and slightly higher than industrial properties.

At this rate of growth, tenants' real estate taxes could easily be five times higher than those of home owners by 1996, or equal to about five months' rent per year from about two months' rent in 1960. The cause of this unfair tax burden to the tenants is the insistence by this Ontario government and the previous Ontario governments, including Liberals and Conservatives, to retain an unfair assessment classification that prevents the equalization between apartment units, condo units and single-family dwellings.

What makes all this even more offensive is that tenants receive fewer public services than home owners and on average they have far fewer schoolchildren per household to educate. A perfect example is the very high percentage of senior citizens and working couples without children who live in rental apartments, and as far as ability to pay, our research tells us that on average the disposable income of home owners in the city of North York is about four times that of tenants. We do not need the lipservice from Metro and provincial politicians that under the new tax scheme tenants would be protected from tax increases for a few years. This is utter nonsense and I am sure none of the committee members would believe such statements.

I bring to your attention a copy of an interim report of the subcommittee on property taxes for rental apartment buildings. This report was prepared by the city of Toronto assessment reform working group, which was published on 20 December 1990. We have attached this to our brief for your study and consideration. It is an absolute eye-opener.

Our submission to you today is that without the complete co-operation of the Ministry of Revenue—we are not talking about Housing—and all political parties involved at Queen's Park, NDP, Liberal and Conservative—and let's forget the politicking here—in changing the Assessment Act, whereby property assessments and taxes should be equalized, the terrible problem of continuous high rents for tenants and low investment returns for landlords will be the politicians' ongoing nightmare. You will be coming back here again, incidentally, for another hearing five years from now going through the same darned thing again, so your nightmare continues. I mean that, your nightmare will continue because the problems will not go away.

In a letter we received from the Minister of Revenue, the Honourable Shelley Wark-Martyn says, "The situation you describe in your letter, where one class of property is assessed at a relatively higher level of value than another class, is not the result of any policy, but merely reflects historical trends in local property values." We can go back to 1867, the year that this country was born.

We received a similar answer from the Treasurer of Ontario, who said, "With regard to property taxation, property taxes on individual rental apartments are higher than condo apartments of comparable size and value. This results from historical"—again a different minister quotes the same thing—"assessment methods used by municipalities before the province assumed responsibility for property assessment in 1970."

This kind of feeble response from a government which says that it cares about its average citizens and allows this

terrible act of tax discrimination to continue is the main reason you are here today searching for a solution to our rental housing crisis.

There is no doubt in our mind that the present rent review and rent control laws and regulations need to be drastically overhauled and changed.

In my briefcase—in fact I have it right here—I have three work orders, and the clerk has copies of them if you wish to get them from her. I have three work orders covering three out of seven buildings, regarding 116 violations by our landlord for maintenance and repairs which have been reported by the city of North York bylaw enforcement department. None of these infractions will cost much money to rectify. In the seven years that I have been president of the St Andrews Towers Tenants Association it has been the only way to get an otherwise very humane landlord to keep up his end of the bargain.

We have one building against which a rent penalty is imposed by the Ministry of Housing for non-compliance because of shoddy conditions. In this case, the landlord loses a 5.4% increase for 1991 until he has complied with the work orders. The idea of equalizing property taxes should be more than acceptable to most professional landlords. It would supply them with about 60% more net revenues and give them an opportunity to establish a contingency fund held in trust to pay for capital expenditures, and at the same time eliminate unnecessary rent increases for the tenants. The new rent legislation must set rules and regulations as to how the extra funds to cover capital expenditures should be used and the recognition that tenants, through their tenants' associations, should be consulted in the disbursement of these funds.

There are, I am sure, many other areas we could cover. But the fact that you have given us this opportunity to make our submissions on tenants' property taxes and their relationship to the rental housing crisis is indeed very much appreciated. On behalf of all our members I wish you much success and we trust that you will do the very best to alleviate the plight of the tens of thousands of tenant taxpayers in Ontario. Thank you very much.

The Vice-Chair: Thank you. Your comments have evoked some interest. Ms Poole has some questions.

Ms Poole: Thank you for coming with your presentation today. I just might offer a comment on your comments in your brief about the rate of property taxation paid by apartment buildings being considerably higher than what is paid by single-family dwellings. This has historically been the case and it has been of concern to a number of major tenant activists only in the past few years when it has become evident, and the city of Toronto, I believe, is taking a very active stand on this.

Mr Gosschalk: You have the report.

Ms Poole: Yes, I have seen the recommendations of the Toronto assessment reform working group, but I understand that Councillor Layton has actually written to both the Minister of Revenue and the Minister of Housing, recommending that this be dealt with. I suspect, too, it would give you a very good brief, if you would like to appear before the taxation commission, I will not call it the

fair taxation commission because that remains to be seen, but at any rate, when they do—

Mr Gosschalk: What was that last one? I did not get that. You mean to say I will not get a chance?

Ms Poole: No, I am saying that you may also have a second chance to make your presentation before the taxation commission.

Mr Gosschalk: I would love to.

Ms Poole: I would recommend that you do so. With regard specifically to Bill 4, you made the very interesting comment on the front page that you would like to go on the record that you are opposed to the retroactive provisions in Bill 4, the same as you are opposed to the retroactivity that was imposed on tenants because of the backlog.

Mr Gosschalk: Right, it takes two to tango.

Ms Poole: Yes. Now what I am trying to figure out is, are you saying that two wrongs make a right? Are you saying that you think the retroactivity clause should be removed from Bill 4, or are you saying tenants had to put up with it in the past, therefore landlords should be penalized now?

Mr Gosschalk: The sins of the past were really under the Conservative and the Liberal governments, of which you were part of at the last, when they were in power. The retroactivity of rents, when the Liberal government burned the rent review tribunal to the point where there were tens of thousands of cases of backlog, I cannot blame the NDP for it. It was the Liberals who did that.

What I am saying is this. I find it very iffy when politicians today are accusing each other about this retroactive situation. I agree, there should not be any retroactivity, but at the same time you cannot speak from both corners of your mouth. If you say you are against retroactivity, you never mentioned this, and I have watched you on television. You have never mentioned this same thing when it came to tens of thousands of tenants who have had to come up with \$2,000, \$3,000, \$4,000, \$5,000 of rent because the Liberal government at the time did not see fit to put more people out to work to catch up on the backlog. A lot of the trouble today is because your government, the Liberal government, was the cause of the situation we have today.

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Ms Poole: I would just like to point one thing out to you just to correct something you said. You said the retroactivity caused to tenants was not caused by the NDP. An item in the accord was that pre-1976 buildings were to be brought into rent review plus \$750 per month—

Mr Gosschalk: You can play any political way as much as you can, but the point is we are talking about dollars and cents.

Ms Poole: I am not playing politics. I am saying that is something agreed upon by the parties.

Mr Gosschalk: We are talking dollars and cents, and the point is this: If you want to favour the landlords you have to also favour the tenants, and you are not doing it.

The Vice-Chair: It is time to move on.

Mr Turnbull: You raise a very important point in this whole question of property taxes. You have actually raised an interesting aspect in the sense that if that inequity were corrected, those moneys, rather than flowing back to the tenants, would in fact be available to the landlord for capital repairs. I think that is quite a constructive suggestion and I would hope the NDP is listening to this. Are you aware of the fact that in the last election, many of the NDP aspirants and many of them who were actually elected in Metro Toronto—because this essentially is a Metro Toronto issue—fought on the issue that they were against market value reassessment?

Mr Gosschalk: With all due respect, I know your stand on market value reassessment and I sympathize with you. The point is, the politicians have been playing around with that market value reassessment at the Metro level for so long that the Liberal government at the time did not want to touch it, because there was so much against it. Whether a party is for or against a situation like that, it is a matter of doing your homework. I do not think at the time that tenants' associations or large ones like mine—and I am the largest one, possibly, in North York—I have never been consulted on any of those matters, and we are taxpayers by far more millions of dollars than home owners.

Mr Turnbull: It is a fact that market value reassessment would have the effect of increasing taxes on many of the apartment buildings that were built prior to 1970, increasing their taxes by very very large increases. Those tenants who had already had large rent increases would further be impacted by large increases in taxes due to the fact that the market value of their building had gone up.

Mr Gosschalk: Yes, but coming back to the point, the landlords have come in here—and I sympathize with them. I heard this case here of the gentleman from Kitchener. I sympathize with this gentleman. But the point is, you are not giving either us as tenants or the landlords a break. If you look at the situation that a home owner pays 60% less tax than I do as a tenant of an apartment and about 40% less than or even with a condo, there is something wrong. I feel like I live in South Africa. I am being discriminated against. I am paying 60% more tax as a taxpayer than an owner of a single dwelling, and this is a very wrong thing.

If that money were partially, not all, directed to the landlord, you would not have this meeting. You would not have this because the landlord, if he were a good businessman, would then out of that set aside a portion for the contingency situation that you have heard about at this meeting, and the other part would help him increase his revenues.

Mr Turnbull: Can you tell me how much in tax per year per unit on average is being paid in your building?

Mr Gosschalk: Our building is situated at the corner of Bayview and Highway 401. That is not the cheapest area. You know where I am talking about. It runs around \$1,800 for a three-bedroom apartment.

Ms M. Ward: I appreciate your comments. I think you have some valid points on the taxation, that the taxation certainly is not fair.

Mr Gosschalk: If I may interject, I am not talking about fair. We are not here to say please. We are saying to you, do you want to solve this problem? Get to the Minister of Revenue.

Ms M. Ward: I do not think that will solve all our problems. I mean, there is a problem there, yes.

Mr Gosschalk: I will tell you one thing. It will solve 60% of your problems.

Ms M. Ward: I wanted to ask a question about a comment on the third page of your brief. You were talking about work orders and you said none of these infractions would cost much money to rectify. "It has been the only way to get an otherwise...humane landlord to keep up his end of the bargain." I am interpreting that as meaning that you had to get a work order in order to get repairs and maintenance done, but you described this person as humane. I wonder if you could clarify that for me.

Mr Gosschalk: Two ways; as I say, we have 3,000 constituents in these buildings. Mayor Lastman calls me the mayor of St Andrews, so you can imagine what I mean. But the thing is that at the same time, Belmont Construction is very humane. I mean, they do not just put people out of their apartments and things like that. I find them very nice people. But they are procrastinators and they take advantage of every rule in the book. So, in the last seven years you will find seven years of work orders and the last ones are really bad. The clerk will be able to supply you. I gave her the copies.

Ms M. Ward: Things that relate to safety?

Mr Gosschalk: Everything, and most of it is not costly; it is not much money involved. In fact, let me tell you, ladies and gentlemen, that our landlord, Belmont, has not asked for a rent increase—now get this—since 1983. That is to cover expenditures. The only time they asked for a rent increase was last year because of higher property taxes. Do I need to say more? So it is obvious—and I am doing this in the open, on television—that Belmont for seven years did not really need to have an increase in rents to operate. They are very professional people. They own a lot of apartment buildings around the city and you know that, Ms Poole, too. So if they had not asked us for an increase for seven years they are doing something right, and as tenants we are doing something right.

Ms M. Ward: So you are working quite well together?

Mr Gosschalk: We have a very good working relationship. It is like in a boxing match. You know, after the game is over you go for a coffee. The point I am making is that you people are just barking up the wrong tree. You are listening to all those landlords coming in with their complaints, you listen to all these tenants coming in to complain, but you are not doing it the right way. The person who should be here in the centre of that arena is the Minister of Revenue, answering questions why she is discriminating against tenants and discriminating against landlords who own apartment buildings. If you have that problem solved, you have 60% of your rent control solved. I mean that. I studied this for four or five years and the

very person who got me on to this who is now a Metropolitan Toronto councillor is Howard Moscoe. He came to our annual meeting five years ago and said, "People, if you are going to solve this property tax situation, you do not have to worry about these drastic increases."

The Vice-Chair: Thank you for your very good presentation.

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BARBARA CARPENTER

The Vice-Chair: The next presenter is Barbara Carpenter. Welcome to the committee. You have 10 minutes to make your presentation and then the committee will have a discussion with you for 10 minutes. We are looking forward to your remarks.

Mrs Carpenter: Can I mention, it might take maybe a couple of minutes extra to read it. Would it be possible to have those extra couple of minutes?

The Vice-Chair: It would be if one of the parties agrees. Fine.

Mrs Carpenter: Thank you very much. To the Chairperson and committee members, I am Mrs Barbara Carpenter and I am a small landlord representing myself.

I hope the NDP government has put aside enough money to cover its next year's capital expenditures because we do not want to pay any more than the 5.4% tax increases. I am convinced that you are able to figure that a big group will give your government more votes than us minority landlords.

My husband worked 15 years in the mines; he was in the union. Some of his money was given to support the NDP. They were led to believe that the NDP was a party that was going to be fair to every person. Now in power, they want to destroy the small working people by taking away their life savings to give to a bigger group of people called tenants, who give more votes. Tenants will benefit now but will suffer in the long run, and I will assure you that the people of Ontario will recognize this and will speak out next time around. I am sure people believe in small business and fairness for everyone.

There was an injustice done during the war and now the government is paying back and apologizing for what it had done. I complained about the government before for not being fair. I believe that they were not fair. Now, looking back, I am realizing how lucky I was then, because this government wants to take away what took me a lifetime to make.

For some extra votes you will be destroying hardworking people who did work the extra hours to put in for their retirement. Before receiving their retirement only half of it will be turned over to them; the other half goes back to the government for capital gains. This money should go back to the tenants in need to pay for rent increases.

NDP members are saying that the rent is supposed to pay for the repairs. This is not the way it works and never did. Repairs are paid after the work is done. It is the cheapest way of doing it. The way it is suggested by the members is to put money aside, but it will cost more.

Today, for example, money that is put aside only gains interest of 9%, but your mortgage that you are paying is 13.5% on revenue property; therefore, 4.5% is lost and is an extra cost and could be very expensive. This is nonsense. It would put small investors out of the reach to become landlords, including landlords that build, because of this extra money needed. The ones who will benefit from this nonsense will be the lenders. In the long run, it will destroy the rental market.

I believe the co-ops get extra funds for repairs from the government. If they do, then why not subsidize the tenants in need when the repairs occur in the landlords' apartments? It would be a lot cheaper and the landlords would be more willing to provide apartment units. All concerned will benefit in the future.

I will say to the NDP government that I have helped the poor and the homeless by giving them a bed, not knowing if they would or would not pay me back. Some did, some did not. I also welcomed people from the street that wanted to take a shower, transient people and people in need. I wonder how many have done this personally.

I am a landlady in the Sudbury area who has found herself in a devastating situation. In March 1988, I purchased a property from the city of Sudbury, a 75-year-old revenue property consisting of 14 units. The city of Sudbury had owned the property for a number of years. They originally bought the building in order to demolish it and use the property for a road allowance. Their plans changed and they no longer needed the land.

The property came before the council because a decision had to be made in reference to 108 Pine Street. The tenants appeared before council wishing to purchase the property but it was in the newspaper that the building would be too costly to make co-op out of it. The tenants backed out.

The council passed a motion to accept sealed bids from the public. A day was set aside to look at the premises. There were 60 people for the showing. They showed us a boiler room and one empty apartment and stated that all other units were similar. I submitted a bid of \$135,000, which was the value of the land. They accepted my bid.

After the purchase I went through the building and then had to make the decision whether I was going to fix the building or tear it down. After establishing a cost to repair the building, I realized it would be too costly and I could not raise any money on an old building. If it were a new building, there would be no trouble at all. I had decided I was going to demolish it but I was told by the city of Sudbury that it was against the Residential Rent Regulation Act. I had no other avenue but to remodel the building.

I went to the rent review board to assure myself that I would not get hurt again. The reason I say that is because in 1977 I made an application to the board for one building at 17 and 23 Levack Drive for an increase of rent and I was denied a break-even point. The reason was that I was taking too much of an increase from \$125 to \$225 and that I would have to recover my losses over the next five years. It took me two years for that decision. I lost my building to the city for back taxes, a beautiful, large 39-unit building.

If you do not have revenue, the building has no value for anybody.

Debbie at the rent review board assured me that under the present legislation which is in place I would be allowed my capital expenditures and they would be passed on and I would receive my rent increases after all work was completed and paid for. Because of its age and lack of maintenance over the years it required extensive repairs to simply bring it up to par with other units in the city. Certain units could not even be rented in their present state.

For example, you could see the cement in the bathrooms where the wood had rotted away, original bathtubs on legs, laundry-type kitchen sinks attached to the walls, separate hot and cold taps with rubber tube to each to get mixed water temperatures, no cupboards and numerous leaks in the roof with ceilings falling down. The entrances into the building were four by four, having three doors opening from the entrance. Doors were only 28 inches large and stairwells were only 28 inches wide. It was a real fire trap.

The property is situated in the downtown core of Sudbury. Because of its location we felt it would be a secure investment with full possibilities. The building consisted of 10 two-bedroom apartments, each approximately 900 square feet, and four one-bedroom apartments, each approximately 750 square feet.

Due to the poor conditions, the rents ranged from \$134 to \$178 per month. This required us to go before the rent review board to have our rents raised to \$140 and \$186 to cover our expenses the first year. They were only allowing 5% over the next five years to recapture my small financing. At this time, we also projected that extensive repairs would be made in the following years, 1989 and 1990. They told us to come back and see them once all the repairs were completed to be able to have our capital expenditures given back to us. After all the work was completed it cost us over \$400,000 over a period of 18 months. We then found out all we can recover is 12 months of those 18 months. We agreed to these terms and we applied on 2 October 1990. While we were waiting for their answer, we were preparing the units to be rented for 1 January 1991. The units are totally remodelled and still empty.

The government came in with new legislation to freeze all capital cost expenditures and phase-ins. This means that I will not be able to recover my \$400,000 savings and demand loans, which I put into the building; therefore, I will lose my building again. They now expect me to rent these newly remodelled apartments for \$140 and \$186 per month.

I am sorry.

The Vice-Chair: Take your time. We will not deduct it from the time you have before us.

Mrs Y. O'Neill: On another occasion such as this we took a five-minute recess.

The Vice-Chair: Perhaps we could take a five-minute recess.

The committee recessed at 1529.

1535

The Vice-Chair: The committee is back in order, Mrs Carpenter, if you would like to continue.

Mrs Carpenter: I put it to you, who shall pay for the repairs put into my building? I say it is the previous tenants who should have paid. They got the benefit of the cheap rent. My rents are from \$140 to \$186 and my basic expenses now, which the new government allows, from January 1990 to December 1990, a total of \$20,604.41. My proposed revenue is \$28,260 empty. Now the new tenant will have to pay what the previous should have paid.

I do not benefit from it, but it does give out a big rent increase. This is how it comes about. This is the type of case that makes the landlord look bad. The previous tenants cannot be blamed and I do not blame them, but I say to you, the blame has to be put on the previous landlord for mismanagement, because he did not pass on the cost of repairs.

The city did not make any benefit. They were making a big deficit every year. Part of the deficit includes the mortgage interest for one year of \$19,200; heat, \$5,333; hydro, \$3,471; water, \$1,290; taxes, \$9,201. That does not include insurance and maintenance that we do not know of. Rent from the building was \$23,580; therefore, there was a deficit of approximately \$14,961 every year.

The city did have a good reason, because it was bought for a road allowance and was to be demolished. This example may apply to many buildings across the province. This may very well be the reason for the 3% statistic for very high increases and not a flip.

In my case, the previous owner made a deficit every year, but also lost on the selling price, \$25,000 after 18 years. The reason for this is because the city helped the tenants. This will apply to any individual landlord who does not keep increasing the rent. Will the government be willing to lend to the landlord the extra money to cover for future repairs?

Today, I have an empty building waiting to receive my order as to what I could charge on these 14 units, but my answer from the rent review office is: "Your application has been shelved. You have a two-year waiting period." I applied for the months from March 1989 to February 1990, but I only applied on 2 October 1990. Seeing the government went retroactively in its moratorium, I then asked to have my application brought back to September 1990. I received a very nice letter from the rent review office. I will read it:

"Under subsection 19(5) of the Residential Rent Regulation Act, 1986 it has been determined that it would be unfair to grant the extension of time. Therefore, your request has been denied."

My whole livelihood is in your hands and my case should be looked upon as an individual, as others should be also. No case is the same and they should never be generalized, meaning being painted with the same brush. I cannot comprehend how retroactive legislation can be passed by a government that represents all people of Ontario.

I made capital expenditures by the law and the NDP government came along and changed the law after work has been completed. This is law by the old legislation given by previous government. There should be an adjusting period for those already committed. I have the right to recover money spent which provides a home for people who need it.

Mr Tilson: I do not think you referred to the letter to you from Central Guaranty Trust. I find it an interesting letter, specifically the statement from the corporate financial division. Mr Munro, in a letter to you dated 19 January, says: "Although the building has recently been renovated, the projected revenues are not sufficient to cover the proposed mortgage payments. Should the situation change and the building's revenues increase, we would like the opportunity of reviewing the transaction again." So you have been turned down flat.

Mrs Carpenter: That is right.

Mr Tilson: Because of Bill 4.

Mrs Carpenter: Yes, I have been.

Mr Tilson: Have you made any applications to other lending institutions?

Mrs Carpenter: No, I have not had the chance. I wanted to come before you.

Mr Tilson: I think your statement says it all. I suspect one of the questions that will be asked by the government, and anticipating that, I will simply say that one of their favourite questions is "You made two bad investments." That is what they will tell you. "Tough." What is your reaction to that?

Mrs Carpenter: I did not think I was making a bad investment because I was updating my apartments to bring stock on to the market and give a good home for people who wanted it. My husband and I have run a rooming house for 20 years. We have looked after 52 tenants in those buildings, two people looking after 52 roomers for over 20 years, and we know that they need homes.

Between Christmas and New Year, I heard a newscast. Mr Cooke stated that they were going to take over the rooming houses and were going to renovate the premises and were going to be the landlords of Ontario. Now, a survey was taken and statistics were taken that to look after a boys' home it takes a staff of six people to look after one unit. My husband and I looked after 52 roomers for 20 years, just two people. How much money is the government going to pay to look after 52 roomers with a staff of six people to look after one bed? I cannot understand it. If we are not doing a good enough job, is anybody else going to do a good job?

Mr Tilson: My guess is you have just answered your own question. That is what they intend to do. They intend to devalue the housing stock of this province and literally take it over. I think the problem is where they are going to get the money to do the very things you are talking about. One of the issues that has been hinted at about the future green paper, which is the proposed permanent legislation that we have yet to see, is that there has been a hint that they will suggest a reserve fund be set up in each building.

It has been vague as to how much that reserve fund will be or where it will come from. Do you have any thoughts on that, as to whether you think such a reserve fund would work, specifically with making capital expenditures to major renovations?

Mrs Carpenter: No, I do not figure it will work at all, because when a landlord enters into a property he puts most of his life savings into that property. If he has to put money aside for a reserve, he is not gaining and neither are the tenants gaining. I stated in here that if there is a reserve put aside, you are going to make 9% on that reserve, but if it was put into your mortgage, you are paying a mortgage of 13.5%. You are losing and so are the tenants losing. They are losing that 4.5%.

The Vice-Chair: Mr Cooper has a short question.

Mr Cooper: It is more a comment than a question. While we appreciate your presentation asking for an exemption, basically everybody who comes before the committee could ask for an exemption and then there would be no sense in the legislation. That is why we cannot have people coming in here and pleading for exemptions, while we sympathize with your case.

Ms Poole: Mrs Carpenter, I would like to thank you for coming and telling your story. I know it is very difficult for you, so we particularly appreciate the fact that you made the effort. I really only have the one question. The rents that you named, \$140 per month and \$186 per month, are extremely low. With all the vast improvements you made to the buildings, if you had been able to go to rent review, what would your new rents have been?

Mrs Carpenter: My rents would probably range between \$500 to \$600, which is below standard in Sudbury. The average rent for a two-bedroom unit is \$612. And it is a totally new unit. We are not asking extremes. When you say 150% to 200%, that does not mean anything, not a thing at all. It depends on what the rent is going to be and what the rent was originally. We are not asking for over what we should have.

Ms Poole: I think you have made that point very well, that you cannot just rely on statistics. You have to ask where you started from and where you ended up.

Mrs Carpenter: Every person has an individual case and it should be heard personally.

Ms Poole: Again, thank you for coming. I believe Mrs O'Neill had a question for you.

Mrs Y. O'Neill: Would you be able to outline very briefly any improvements that you would consider health and safety improvements that were necessary for the health and safety of the people who were going to live in the building?

Mrs Carpenter: I will tell you they had four-feet by four-feet entrances into the building. They had the main door opening in. They had an apartment opening up and another apartment door opening up to that four-by-four entrance.

Mrs Y. O'Neill: So you had the fire department inspection on your back.

Mrs Carpenter: Yes, there is no possible way. They had a 28-inch door and a 28-inch staircasing. Nowadays, with the big furniture and even an appliance, even a fridge or a stove, how do you get it up those stairwells? I know it was a big cost at the time.

Mrs Y. O'Neill: Are there any others that you can think of quickly?

Mrs Carpenter: The roof was leaking. The roof was falling down. Sure, the city neglected it, but something had to be done because I could not tear down the building. There was no way I could tear down the building. I had to do what I had to do and I gave affordable housing to people.

Mrs Y. O'Neill: And you feel you got just prices on the work you had done?

Mrs Carpenter: Yes.

Ms Poole: If we have time for one more question, Mrs Carpenter, you have explained your plight in your brief, that you have gone to the bank and you cannot get refinancing as of this moment. What are you going to do if you cannot get that refinancing? Will you lose this property and your life savings?

Mrs Carpenter: I will sue the government.

Ms Poole: You have put your life savings into this building?

Mrs Carpenter: Everything into this building. I have worked hard for 20 years and every cent went into this building. I do not think it is fair.

Ms Poole: We can only hope this bill can be amended to make it fair to you so that you do not lose your life savings.

Mrs Carpenter: And to everybody who is in the same position.

NORTH YORK INTERAGENCY AND COMMUNITY COUNCIL

The Vice-Chair: The next delegation before us is to be the North York Interagency and Community Council. Pat O'Neill is representing them as the housing advocate. Good afternoon. Perhaps you would just identify yourself and your group for us.

Ms P. O'Neill: Yes, I am Pat O'Neill and I am the housing advocate with the North York Interagency and Community Council, which is the local social planning council for the city of North York.

We would like to express our general support for Bill 4. Maybe as a little update on North York, I think many people still consider it a bedroom suburb where the majority of people are home owners. I think we have certainly seen a change in Metropolitan Toronto over the last number of years and in fact the majority in North York are probably now tenants. Officially, it is about a 50-50 split, but given some of the restrictions in North York there are a lot of apartments which are not official apartments. They are apartments people have in their basements in order to manage their mortgages. So we probably have a majority of tenants in North York.

We have larger than average household size in North York as compared to Metro. In some areas of North York, income is lower than the Metro average and in some areas it is higher. In the social planning area we see a lot of problems as a result of the lack of affordable housing, particularly for those who are hard to house, those with mental health problems, families, often seniors, and of course for the homeless it really is a tragic situation.

We do not feel, though, that it is up to landlords to subsidize those in need of subsidized housing. Obviously that is a function of government and the fact that the province itself has not built fully subsidized housing units since 1976 has certainly increased the problem as far as affordable housing within the Metro area is concerned. There have been some co-op housing units built, but a very small number. The waiting lists for subsidized housing have continually grown and it has become a major problem, particularly since a number of communities in North York now are primary reception areas for immigrants. A lot of people are earning minimum wage, and on minimum wage often the whole of one individual's income can go on rent, so we really do face some quite tragic circumstances.

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As I said, we do not anticipate that landlords should be subsidizing those in need. We feel that is a government responsibility. We would like to say that we think the government possibly has some room to assist the smaller landlord, because, again, many of them are in the position where they do not have flexibility. Their fixed costs have gone up dramatically and for those smaller landlords with 10, 15 or 20 units there is a mechanism in place for review for legitimate repairs. We think possibly the government could afford to be somewhat flexible in looking at those smaller landlords, where the repairs are necessary for safety reasons, to allow them to continue with that process until the new legislation is developed.

Financing should not be a legitimate cost passed on to the purchaser. We agree that this is a matter of business and that if you cannot afford to buy and to refinance, then you really should not be buying. We certainly have seen some extreme cases. It is not a question of continually flipping; it is a question, occasionally, of just one sale because the cost of housing has changed so dramatically.

Houses in my own neighbourhood that sold in 1980 for \$40,000, for which obviously one could manage the mortgage quite nicely, resold 10 years later for \$150,000, which meant that the mortgage costs were out of sight. If people were buying those as an investment and renting them out, the cost literally doubled from \$600 a month rent to \$1,200 a month rent, which meant that two families were having to share a three-bedroom house. We were almost at the point of subdividing bedrooms, so it is often not a question of continually flipping.

Because of that difference in that 10-year period, one sale can make such a dramatic difference to family life and whether people can actually afford to live in the Metro area. We think that really is not something that should be considered when looking at legitimate costs. If people cannot afford to buy them, then they should not be buying them for rental purposes.

That is all I have to present, but I would certainly be willing to entertain questions.

Mr Winninger: To what extent have you found that financing costs have been driving up rents beyond the financial competence of your clients?

Ms P. O'Neill: I would say that certainly in the last five years it is primarily the financial costs that are causing the biggest problem. That is certainly the major factor because house prices have increased so dramatically and any refinancing, any selling of properties and refinancing, just escalates out of all proportion.

Ms M. Ward: I would just like to comment that I think you made a lot of good points there, particularly about the financial loss not being supportable. I think you do have a point that small landlords in some cases might have some need there.

Ms P. O'Neill: We find it particularly in older neighbourhoods with older people who have made an investment and really are not making a lot of money. As I say, with the fixed costs, with hydro, taxes, the regular maintenance costs, it really does become a hardship for those people.

Ms M. Ward: There is a provision in Bill 4 for passing through extraordinary costs in taxes, utilities and higher interest rates when the need to refinance comes up. There is some provision there. I would just like to thank you for your comments.

Mr Mahoney: First of all, I am assuming your agency and community council are either affiliated with or associated with the city of North York. Do I understand that correctly?

Ms P. O'Neill: We work closely with the city of North York, but it is a council made up of community groups and agencies within the city of North York to look at social planning issues across the city.

Mr Mahoney: Do you have any concerns about the production of affordable rental accommodation from the damage this bill might do to investor confidence to build new rental stock or to buy existing stock and renovate and repair, from the sense of the people you are representing, who in essence would be folks who are unable to speak for themselves, either the very small landlords or individual tenant groups? Do you have any concerns about numbers?

Ms P. O'Neill: We have actually seen no evidence of any investor interest in building rental housing in North York for some 10 years, so it would not be new. Rental accommodation is not being built. Condominiums are being built because they can be sold and are a quick return. We have not seen rental housing being built. We have not seen the government building rental housing. We have not seen private industry building rental housing.

Mr Mahoney: What about the second part, though, about either purchasing and renovating or existing landlords putting money into their facilities? We have heard people say that ultimately tenants will suffer from this philosophy and I just wonder if you have looked at that.

Ms P. O'Neill: In general I think we support the principle that if you are investing in property, then maintenance

really should be part of that investment the same as it is for condominium owners or individual home owners. You invest in your own property. You upkeep your own property because it is to your own benefit. I think it is a pretty fair principle. The disclaimer there is that given that there have been controls for some time and that some of those costs, particularly for the older, smaller units, have been fixed, we would have some concern there for the older, small units. We feel that is where there should be a little flexibility around needed repairs.

Mr Mahoney: Are you suggesting exemptions based on age and size?

Ms P. O'Neill: We are particularly thinking of the duplexes, the fourplexes, those kinds of units. We feel there could be some flexibility there and perhaps should be.

Mr Tilson: Are you a planner or do you have planning people who advise you and your organization?

Ms P. O'Neill: No. I am a housing advocate, not a planner.

Mr Tilson: Okay. It is just that I think you have probably put your finger right on the nub of the whole problem in that the approach this government is taking, and perhaps the previous government had taken, does not solve the real problem, which is, in my view, a social problem. There are many modest-income people who simply cannot afford rents no matter what level they are at.

You have referred to your area as having more and more people becoming tenants, and I guess specifically the potential of illegal basement apartments. You did not say it like that, but you implied that, and the difficulties, of course, of people trying to keep their houses and simply renting out their basement or portions of it, which probably is illegal.

Ms P. O'Neill: North York is now looking at its housing policies, given the change in provincial legislation, but we are just in the beginning of that process in North York. We are really just assessing what there is and what the needs are. I am hoping there will be some flexibility within the city of North York in terms of housing, because every area of the city in fact has its own way of increasing its housing stock, whether it is rooms for the servants or whether it is a basement apartment. There is that much flexibility.

I think, yes, the city itself needs to look at that and we will make some changes. Again, it is always easier to criticize when you are not in a position of doing anything.

I recognize it is difficult to govern, but in fact as I said, since 1976 there has not been assisted housing built. I know that previous governments have wanted to, but there is a problem with building assisted housing. The other problem is, there is very little between assisted housing and the other end of the market.

If one wanted now to sell a modestly priced home, and I understand that \$150,000 is now a modestly priced home in North York, there is no alternative to move into. I am in the situation where I have a three-bedroom home, I am on my own, I do not need a three-bedroom home, but there is

not a one-bedroom home that I can buy in order to free up a three-bedroom home. There is nothing in between.

Mr Tilson: We have heard many, many people saying that Bill 4 is not going to work, rent controls are not going to work, but I think the other area that I am looking for is other suggestions; in other words, perhaps the revision of existing bylaws, municipal bylaws or provincial policies to encourage different types of housing from the existing stock that we already have. If people are not going to build, perhaps we should start taking another look at what we already have. I am glad to hear you are suggesting that.

Ms P. O'Neill: It is a beginning.

Mr Turnbull: Ms O'Neill, you commented that there is no new housing being created, certainly in Metro Toronto, rental housing. What would, in your opinion, be the reason for that?

Ms P. O'Neill: I think it is fairly obvious that by building condominiums one can get a quicker return on the investment. Most people in the housing market, apart from governments, are in fact in the business of getting a return on their investment. It is a business.

Mr Turnbull: Are you saying it is not a satisfactory return on investment to build rental housing today?

Ms P. O'Neill: It has not been for a long time.

The Vice-Chair: Thank you for making a very good presentation to the committee.

CENTRE FOR EQUALITY RIGHTS IN ACCOMMODATION

The Vice-Chair: The next group to be presenting is the Centre for Equality Rights in Accommodation, Bruce Porter. Good afternoon, sir. If you would identify yourself and your organization and your position with the organization for the purposes of Hansard, it would be appreciated. You have 10 minutes to make your presentation and the committee will have a discussion with you for 10 minutes.

Mr Porter: Thank you, Mr Chairperson. I am Bruce Porter. I am the co-ordinator for the Centre for Equality Rights in Accommodation, or CERA for short.

The Centre for Equality Rights in Accommodation is a human rights advocacy organization. We assist people with claims of discrimination in the area of housing and do general public education in that area and work throughout the province.

We work predominantly with the Human Rights Code, to some extent with the Canadian Charter of Rights and Freedoms and with international human rights instruments such as the International Covenant on Economic, Social and Cultural Rights. We do not work very often with the Residential Rent Regulation Act and I would not claim any specific expertise on that piece of legislation. I, however, thought it might be useful for the committee to hear a few bits of our perspective coming at housing from a human rights standpoint and I would be asking in essence for the committee to consider the aspect of housing as a human right when you look at Bill 4 and the general issue of rent regulation in Ontario.

When we advance equality rights for disadvantaged groups, we now speak of equality rights from a broader

perspective than simply treating everyone equally or the same. We have come to recognize that it is not good enough to provide just formal equal treatment to someone, for example, with a wheelchair by treating the applicant in the same manner as someone else. We have to take positive measures to ensure that the formal equal treatment actually means something, and so it may involve positive obligations like the provision of wheelchair ramps.

I would like to suggest that those kinds of positive obligations fall on various sectors, both on private individuals and on government, and that they involve in the area of housing things that range from the issue of housing supply through the area of regulation of existing stock, and that, I think, is where Bill 4 fits in.

When we speak of housing as a right, people often think: "Oh, well that's a great idea, but can we really afford it? It would mean that the government would have to supply housing for every individual in Ontario." In other words, we think of it predominantly from the perspective of supply. I would suggest to you that is a fairly narrow view of what housing as a right would mean and it is also a fairly unaffordable one. For the government to take seriously the notion that housing is a right would require a fairly broad range of initiatives, and many of them, perhaps the most important, are in the area of regulation of existing stock. Particularly when we consider that 85% of the housing that we will ever need has already been built and already exists, the important initiatives may be very much in the area of access to and preservation of the affordability of that stock.

I think that you have to consider as well when you are looking at rent regulation that the most disadvantaged groups in our society are predominantly renters and that those people, particularly women, single mothers, people with disabilities, elderly people on fixed incomes, those living on social assistance, all of these groups, are protected under the Human Rights Code, but they need positive protections from unpredictable increases in their rent. These are the people who are predominantly affected by inadequate regulation of rents in the private sector, and most of them rely on the private sector for finding affordable housing.

I want to make it clear that we are not asking landlords to be charities for disadvantaged groups and I do not think that is what Bill 4 proposes to do, certainly in the way of interim legislation. Rather, it proposes to recognize the special nature of a landlord's business. It establishes that landlords may operate their businesses only within established parameters and one of those parameters must be a high degree of consistency and predictability in the rent people will be paying.

Sometimes I think that it is useful to unearth some of the inequalities that we deal with by considering how different groups are treated differently under the law and the kinds of assumptions that we make about different groups. I was a tenant for many years and was myself the victim of a couple of economic evictions with rent increases of almost 100% because of landlords' taking over properties and refinancing them. But I recently became a home owner and let me tell you about my home owner's

nightmare that the same rules that applied to me as a tenant might be applied to me as a home owner. The nightmare is that Canada Trust, which is my mortgagor and owns approximately 80% of the house that I live in, announces on a form 2 that I receive in the mail that because it owns the house it has decided it is not quite up to snuff and it would like to do some major renovations. They want to do an addition to the kitchen and they want to completely redo the hall and put marble tiles down and they want to basically renovate the entire interior.

I say, "Well, that's a great idea, as long as you pay for it." They say: "Oh, no. You're the owner; you pay for it." I say: "But I cannot afford it. I work for a struggling non-profit organization. When I bought this house I bought what I could afford and I assumed that I would be able to continue paying the same payments." They say: "No, sorry. That's tough luck. We're the owners and we are deciding for you that all of these changes are going to be made, and furthermore we are going to apply the principle that is used in the Residential Rent Regulation Act that even though you pay for all these improvements, we end up owning them in the end."

I say: "Oh, my God. That doesn't seem very fair." They say: "But you're the co-ordinator of the Centre for Equality Rights in Accommodation. I thought you believed that everyone is entitled to equal treatment." At that point, I wake up in a cold sweat and am glad to realize that it is only a nightmare.

The point of that, I guess, is that we have to think about the fact that tenants have homes and that they are entitled to the same kinds of considerations that all citizens and people living in this province are entitled to. It is the very essence of a home to have some predictability to it, to be able to set up your children in day care, to find business close by so that you can get home in time to pick the kids up from day care, to establish roots, to make friends, to become a part of that community, without thinking that suddenly next year you are going to be asked to maybe double the amount of rent that you pay simply because somebody makes some decisions for you about changes that are going to be made to your home and refinances something that is actually the place that you live in and rely on.

I would like to make one final point and that is the question of access, which of course is the fundamental issue that we deal with at CERA. I have been disturbed that in some of the debates around rent controls, landlords have pointed to evidence that the most affordable and decent apartments end up being rented by people who are not the lowest-income households. From that, they derive the fact that rent controls do not work because they are not helping the most disadvantaged households.

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I am astonished that what I consider basically economic discrimination practised by landlords is used as a way to oppose rent controls. The issue is not rent controls, but let me just tell you why it is that in some cases the most affordable apartments are not available to the households who most need them.

Most landlords now in Ontario have very sophisticated application procedures in which they ask people how much income they make, what kind of car they drive, where they bank, what their credit rating is, what kind of job they have and how long they have worked there. On the basis of that, they will take several applicants for the same apartment and choose the household with the highest income, and those are the people who end up getting it. That happens in Vancouver, where there are no rent controls, and it happened in Ontario when there was rent review and it will happen in Ontario when there are adequate rent controls. It is something that has to be of concern to us, however, that when we work to preserve the affordable housing stock, we should also have corollary initiatives to ensure that the affordable housing stock is accessible to the people who most need it.

We at CERA have taken some initiatives using the Human Rights Code to show that this kind of economic discrimination is contrary to the Human Rights Code because it adversely affects all of the groups that are listed there for protection. It is women and disabled people and single mothers who are going to be cut out by those sorts of income criteria. We would benefit from more direct legislative protection from income criteria and economic discrimination, which has the effect of denying the most appropriate and affordable housing to the people who most need it, but that is a separate issue. We also need rent controls in order to preserve the affordable housing stock that is there and to give the people who are most disadvantaged in our society the same kinds of sense of predictability and stability in their housing that we all have to assume is a basic and fundamental human right. Thank you.

The Vice-Chair: Thank you. The Liberal Party is first in the rotation. Mr Mahoney has some questions.

Mr Mahoney: I am interested in your analogy of your nightmare. The reality is that while the mortgage company obviously does not have the option of coming in and effecting changes to your home and passing on the costs, there are examples in the not-too-distant past where mortgage rates escalated up into the 20% range, which in fact had the same effect as causing economic eviction to many people who were home owners, who not only had to give up their homes as a result of the increased payments due to the usurious interest rates that were being charged but wound up losing their equity, their sweat equity and their dollar equity, that went in. So the reality is that there are examples of that nightmare indeed that have occurred that did not simply occur as a result of changes to the kitchen in the home, but something even more insidious, and that is the cost of the money that was used to buy the home.

It is not so much a question of whether or not you set terms and conditions for regulating rents or rent increases. Certainly that has been done under the rent review system that was originally introduced by the Conservative government under rent controls. It is the types of modification. Do we get to the point when your organization is attempting to—as you say at the end of your presentation, you

think it leads us to a three fold housing strategy: to create new supply, regulate existing stock and improve access.

I certainly agree with improving access, but if you take your nightmare example to the extreme, then you have got to put on artificial interest rate levels and cap them as a government and bring in regulations to do exactly that and, as this government is doing, bring in what is the most insidious aspect of this, and that is changing the rules after the game has started.

How would you ever get anyone other than the government itself to create new housing supply or to co-operate with agencies such as yours in the areas of accessibility when any sense of confidence he had in investing in his own business, be it large or small, is shattered by, not all aspects of this bill, but very clearly by the trust-breaking aspects of Bill 4 in the retroactivity and a few other areas?

Mr Porter: I think the issue of predictability is relatively important. I have emphasized how important it is from the standpoint of tenants. I think this tends to be the perspective that we forget about and it gets lost in the equation. But I am advocating a shift of values in our society to the point where we recognize the special nature of the housing business so that anyone entering into that business knows exactly what the rules and the regulations are, knows that he cannot go into it on the assumption that he will ask for a 60% increase from the people who are living there. I think once those assumptions are built in, then people will not feel there is a lack of trust or stability in the market.

On your first point about the effect of interest rates on home owners, I think there tends to have been a fair bit of concern and sympathy for home owners when that has happened, but really, to make that analogy work, you would have to suggest that the home owner, in order to be in the same position as the landlord—as a home owner, I would be able to purchase my house for whatever I wanted at even these very high interest rates and know that I can just pass it on to somebody else and have it paid for.

Because I know that I cannot pass it on to somebody else, I have to deal with it in terms of my own personal affordability and I will not pay as much for the house if the interest rate is higher. That is to a large extent what is responsible for what has happened in the housing market in the last year, but that would not have happened if people who are buying houses had somebody else that they could have foot the bill. I think it distorts the market in order to have an automatic pass-through of those kinds of costs, which ends up putting landlords in the situation of being able to pay anything for an apartment building and know that they can recover it all.

Mr Turnbull: You said that you now live in a house. If you—and I do not need exact numbers, but just give me a sense—had to put a new roof on your house, approximately how much would it cost you? Would \$3,000 be a reasonable amount of money?

Mr Porter: Yes, I think so.

Mr Turnbull: It is a lot of money for anybody to spend. Would it be reasonable to say that this would

represent more money for you than somebody who was on double the income?

Mr Porter: Yes.

Mr Turnbull: And equally—you see the direction I am going in—if somebody were earning half your income, it would be even more of a strain for him to put a new roof on it.

Mr Porter: Yes.

Mr Turnbull: The basic problem we have when we are talking about rental accommodation—and we have had expert testimony here that our rental stock is aging, to the extent that a great deal of it is 25 to 35 years old. We are now encountering major renovations to those buildings, which perhaps would not have been needed if we knew the technology in those days as to how to build the way we do now, but by the same token cost very large sums of money.

We have landlords who have renovated their buildings within all of the specifications of the existing legislation before this legislation came along. They went to the bank, they borrowed the money in order to do this, and I have to emphasize to you also expert testimony from the Ministry of Housing witnesses. They have agreed that large capital items were never included in rent review; they were always considered to be added after the fact. That is a given. These landlords have now spent the money and are told to forget it. They have gone to the bank and borrowed the money and spent it. They cannot get it back, even though the law was very clear that they could when they spent the money. How do you handle a situation like that?

Mr Porter: That is the point I think I alluded to earlier, that in changing the way in which the housing sector operates, there are going to be people who did some things assuming one kind of set of values who may end up being hurt. I think that probably the government is attempting and will continue to attempt to be as sensitive as possible to that kind of transitionary—

Mr Turnbull: Excuse me. You misunderstand. They are not assuming anything. They were acting within the law and the government is doing nothing for the transition period. They are simply saying you are not allowed to pass that back.

Mr Porter: You said they were working under a rent review system which assumed that they would be able to recover that and now they are not able to recover that.

Mr Turnbull: The wording is, "They were allowed to recover it." It is quite clear in the legislation and they have gone out and borrowed the money and now they are being told: "Forget the fact that you borrowed the money. You are not allowed to get it back." Many of them were working on deficit situations. Now they have a worse deficit and we have heard testimony from many witnesses that it is their life savings that they have put into these small buildings. What do you say to these people? You are an expert on human rights, so that is why I asked how you would respond to these people.

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Mr Porter: As I say, being in the area of human rights, I am not an expert on all the ins and outs of the rent

regulation act, but I would go back to the analogy you mentioned earlier about the roof on the house. It is something you assume would have to be done at some point. There are some real tragedies among home owners, too, who have been hit by high interest rates or unforeseen repairs. I have been hit by a few of them myself, but I would not expect anyone else to pay for it. I think I am responsible for having paid a certain amount for the house and to assume that maybe the roof is going to have to be repaired in a couple of years and to have made those kinds of planning decisions.

Mr Turnbull: They did make those decisions.

Mr Winninger: Mr Porter, many landlords would argue that in the absence of rent controls and in a free market, through competition they can deliver affordable housing to tenants. What has been your experience as a co-ordinator of the Centre for Equality Rights in Accommodation as far as the free market system delivering affordable housing is concerned?

Mr Porter: It clearly does not deliver. It is a convenient myth to be able to blame that fact on the existence of rent review or rent controls. I have the privilege of working in a couple of national organizations on housing issues, so I meet with tenants and other low-income activists from across the country dealing with housing problems that are very similar to those we are dealing with in Toronto.

The common denominator for all of us is that we are not getting affordable housing built. The one thing that is not common is rent controls and rent review. Many of the provinces have none, some have some and some have stronger protections, but it does not seem to have very much effect on what the private sector does in the way of producing affordable housing.

I think the message also on a philosophical level is that we are dealing here with something which is not appropriately simply a commodity produced by the private sector without any kind of regulation to protect those whose housing is being provided in that manner. It is like health, like education. There is a role for the private sector, but it is only a regulated role. You cannot allow it to just proceed writing all of its own rules, because there are people's lives at stake, and very important elements of their lives. All of the fundamental human rights which we claim to take so seriously mean nothing if we cannot protect people's housing, and we cannot do that if we simply defer to the rules of the private market.

Mr Duignan: Thank you for coming today and presenting an excellent presentation. Again, it drives home why we need Bill 4. It is time we think of that apartment or that rented house as that person's home. That is forgotten in this debate. Also, you are quite correct in assuming that a lot of this economic discrimination goes on against single moms, a person on a pension, that type of thing, and I thank you again for bringing that to our attention.

The Vice-Chair: Thank you very much for appearing. We appreciate your comments.

HONOURABLE MARTIN O'CONNELL

The Chair: The next presenter is the Honourable Martin O'Connell. Good afternoon. As I know you have been watching the proceedings, you know what the ground rules are.

Hon Mr O'Connell: I have one of these throat conditions. I hope it will not bother us.

Thank you very much for the opportunity to submit views on the amendments to the Residential Rent Regulation Act, which we have before us. I am going to begin by congratulating the minister and the government on most of these interim initiatives, especially subsection 100f(5), which states, "The minister shall not order a maximum rent for a rental unit greater than that proposed on an application." That has to have been a great embarrassment to ministers in the past, and it is time it was excluded.

Also, for initiating some change with respect to extraordinary operating costs. It is really solely with respect to two examples of extraordinary operating costs that I am going to make my own remarks. With respect, and for your consideration, I am going to propose an amendment to the definition of such extraordinary operating costs found in subsection 100e(1) on page 4 of the interim measures. This definition, as you well know, restricts the range of extraordinary operating costs and other costs for which the minister may make findings. They are enumerated and I am not going to go through them. But I am going to propose the widening of that range on which the minister may make findings in one particular instance. I will be proposing—and I think you have it in front of you—that the following words be added to the definition, beginning after the words "residential complex": "and an extraordinary operating cost allowed in a previous order that has ceased to exist as a cost after the effective date of this act." That means there would be no retroactivity other than what is already embedded in the act. The effect of doing that would be similar to a measure described in the explanatory note 1(c), where the minister may make findings with respect to "financing costs allowed in a previous order that no longer exist."

We could draw a parallel to that or expand that to mean other extraordinary costs. I am now going to try to describe the situations in which this could arise and the rationale for including them in the definition. But I first want to get at the simpler one, where I think there is an unwarranted application of the annual guideline to costs, whether ordinary or extraordinary, where those costs are by contract between the landlord and a third party, held fixed and constant for long periods of time. I will illustrate that with land rents.

There is a practice of a landlord selling the land if he owns it to raise funds to build a building and renting it back over long periods of time with anniversaries for renewals. In any case, land rent means that the land rent will remain constant at, say, \$40,000 per year for 25 years, which none the less, though constant, gets escalated by the guideline.

That is hopefully not the intention of the application of the guideline, which presumably is to protect landlords against inflationary costs and to follow those costs as they

go along. What I am describing is a constant cost, imperious to inflation, yet none the less escalated as if it were. I believe that could be addressed by regulation, in section 118 of the act, paragraph 35, references to which paragraphs are in the proposed amendments to the act.

Let me come back to the proposed amendment to subsection 100e(1). It seems to me that if the proposal is accepted and read in conjunction with the proposed amendments to section 118, paragraph 35, found on page 11, the injustice to tenants arising from present administrative practice, not suggested for change by the government, could be eliminated in a manner that landlords could not complain of and that I think all sides of the House could support.

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The problem can be considered this way. Consider legal and accounting fees; these are among the itemized operating costs of a building. They run into extraordinary costs, but the present legislation is not going to deal with them in the way I would like to see them dealt with. Consider accounting fees running at about \$15,000 per year that abruptly rise to \$250,000 as a result, for example, of an arbitration proceeding with respect to land rental.

I have an exact case in mind, but the principle goes forward without getting into it. In what seems one serious flaw in the act, there is no cap on extraordinary operating costs. If they go over a formula threshold, it does not matter how great those operating costs are—they are passed on. There is no cap, even when landlords have a considerable control over these extraordinary costs, as they do indeed when they hire legal help and as they do indeed when they go into long-term private contracts with third parties. Usually we are told that an extraordinary operating cost is out of control of the landlords. In not all cases are they that way. That is the number one point.

The landlord may indeed be indifferent to the size of the costs, but they are passed on to tenants. In the illustration we are considering, the 17-fold increase in this item of operating costs, the legal fees, becomes permanently embedded in total rent payable, even though it is paid off in the first year and even though it was a one-year cost only to the landlord. Although that cost has ceased to exist as a cost, in reality it is not removed. It is still there in the maximum allowable rent paid year after year, and to worsen the injury and injustice it is escalated by the annual guideline.

In, say, 15 years on a 5% guideline assumption, this administrative practice holds rents higher by double the original amount. If what I have described is correct—I would like to believe it is not, but I do believe it is—there seems no good reason to delay correcting it now. I therefore would commend to you the wording I have indicated and reiterate that by its very nature and non-retroactivity, it cannot be controversial if it is valid. How could it be controversial to say that a landlord does not wish to get paid, year after year, for a cost that has disappeared? I do not think it is controversial, I do not see how it can be objected to and I would hope it could be supported by all sides of the House.

Mr Turnbull: Can you tell me in a general sense what your feelings are about the retroactive aspects of this legislation?

Hon Mr O'Connell: If you are alluding to the capital costs, I do object to that, but that is about the only feature of the retroactivity I have any concerns about.

Mr Turnbull: You object to the capital costs that people have entered into not being allowed?

Hon Mr O'Connell: Yes.

Mr Turnbull: Would it be your recommendation to this committee that it should be deleted from the legislation?

Hon Mr O'Connell: I think there should be a thorough, hasty consideration of all of the factors in there and some kind of adjustment to it, not waiting for the time period to pass by. Speed up on that.

Mr Turnbull: What about the people who have already entered into expenditures prior to this bill being introduced, having borrowed money from the bank to do capital repairs which were needed, and are now being told they are out of luck?

Hon Mr O'Connell: I think there should be some relief in that area, but I do not want to be drawn away unduly from the points I am making, and I hope you would express some interest in them.

Mr Turnbull: I am particularly interested in this, because the broader area of this is very vital to the province and we want to make sure the message is taken back to the government.

Hon Mr O'Connell: Fine, I support that.

Mr Turnbull: The suggestion has been made by many tenants' groups and my friends from across the way that essentially the low rates of return in rental accommodation are offset by capital appreciation. Can you conceive of capital appreciation occurring if you do not allow increased financing from time to time, even if it was only once in five years?

Hon Mr O'Connell: Yes, I can indeed.

Mr Turnbull: How would that occur?

Hon Mr O'Connell: The increase in value of buildings and land. Those are assets.

Mr Turnbull: Buildings are depreciating. Buildings depreciate; land appreciates.

Hon Mr O'Connell: Buildings appreciate too. I do not know how you could say otherwise. If houses cost \$40,000 a few years ago and now are \$240,000, they have indeed appreciated in value. Those are asset increments, and we should not mix that up with the operating costs which increase.

Mr Turnbull: If your rents are in a sense frozen and only increased each year by the guideline, which allows increased costs to be flowed through to tenants but does not allow capital costs to be flowed through to tenants, and if indeed you could not increase your financing from time to time, how would you possibly get capital appreciation?

Hon Mr O'Connell: I can tell you one way. The landlord, in the case I am describing, is getting legal costs paid year after year after year. He is not suffering.

Mr Turnbull: I am sorry, you are not answering my question. I am not talking about a house or an office building, where you can sell it readily, based upon the income you can achieve from time to time. I am talking about a controlled market. How do you achieve capital appreciation if you are not allowed to flow through capital expenditures and you are not allowed to flow through, from time to time, increased financing?

Hon Mr O'Connell: There are two answers to that question. The first is that landlords are in business. I do not have any concern for them with respect to capital appreciation. I do have concern with respect to the operating rents. Second, it is not a controlled market, it is a reviewed market, and these costs do flow through; as a tenant, I know they flow through. In addition to the guideline, there are other techniques left in the act to adjust those.

Mr Turnbull: Under Bill 4, you are not allowed to flow through those.

The Vice-Chair: Mr Duignan has some questions.

Mr Duignan: Thank you for appearing before the committee this afternoon and making an excellent point. We on this side will give this every serious consideration later on in the proceedings.

I just have one question, and that deals with the cap. What type of cap would you recommend or consider or deem appropriate?

Hon Mr O'Connell: I have not really considered one, but if there is no allowance, as in the case I am describing, for capitalizing that cost and spreading it over, say, 10 years, I would consider a cap that did about the equivalent of a spreading over a number of years. I do not think the cap, if I may say so, is the really important thing. What I object to is the administrative practice that allows extraordinary expenditures never to be removed from the system. Looking for capital gains in a situation that depends on cheating tenants out of their rights and justice is just no good system at all to defend. I am ashamed of the approach to this particular thing by covering it up with capital appreciation. That is disgusting, in my view.

Mr Duignan: Thank you, Mr O'Connell. Your point is well noted.

Mr Mahoney: I wanted to ask about the idea of spreading it over 10 years. From the tenants' point of view—perhaps even landlords, I do not know—would it not make more sense to spread that \$250,000 cost over 10 years than to ask the landlord in that one building to absorb it in one increase, even if it was taken out after the one year?

Hon Mr O'Connell: It could well be, but that is not permitted in the present act.

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Mr Mahoney: I certainly agree with you that to put that \$250,000 increase on to the rent rolls and leave it there in perpetuity is not a just situation, but I wonder if your amendment would allow for that. Perhaps it does.

Hon Mr O'Connell: Yes, it does.

Mr Mahoney: I have only just seen it so I have not really had a chance to understand it thoroughly, but it would seem to me that spreading it out over some form of

amortization would make more sense than simply allowing them to put it on and then take it off; and that is how I kind of interpret, perhaps incorrectly, your amendment would allow for that extraordinary operating cost, once it ceases to exist, to be removed from the rent calculation. It would seem to me more appropriate to require that it be spread out and perhaps an amendment by the government, if we are finally going to get lucky enough to have it seriously consider one, could be something that would allow that to happen and perhaps could be supported by landlord groups.

Hon Mr O'Connell: I think you make a good point, and if you look at page 12, at the top of the page, paragraph 35c, these are where the Lieutenant Governor in Council can make amendments where a minister or regulation could prescribe "the period of time for which the minister shall consider each of the matters set out" in those clauses, and that includes that he could say in the case of an extraordinary cost of the kind I am describing, five years, or you could say one year. I think it leaves some flexibility there. But if it has been paid off in one year, there is not much point; you see, you pay your legal fees. I do not think you can get a deal where you do not need to go out if they are going to be added into the rent; you get them the first year.

Mr Mahoney: But maybe the reality is that the landlord may have to pay those legal fees in year one but he does not necessarily have to collect them all back in year one.

Hon Mr O'Connell: No, well, that is an option, which I hope is in the act, that gives flexibility.

Ms Poole: Mr O'Connell, thank you for your presentation today. The suggestion and the amendment that you have carried forward actually will fit under the whole umbrella of cost no longer borne by the landlord and what should and should not be passed on to a tenant, so we will certainly be giving it very careful consideration; and thank you for that.

I have one quick question about a different area, while we have you here, because you have obviously got a lot of expertise in this area, that is of capital expenditures generally. If a landlord has incurred major repairs, not minor ones which should be day-to-day maintenance but major repairs or significant capital expenditures, how do you feel they should be fairly dealt with? Do you feel that the landlord should be entitled to be reimbursed for part or all of those capital expenditures?

Hon Mr O'Connell: All of them; yes, I do. I do agree that the landlord should be encouraged to make them constantly over the period of time and not to let ordinary maintenance become capital expenditures. You can see the inducement. There is a potential for exploiting the concept of extraordinary costs. You can neglect and then have an extraordinary cost; in it goes, and you deal with it differently. That is why I say this thing should be thoroughly investigated in the context of being fair to both sides, and I do not like at all the way the government is approaching it.

The Vice-Chair: Thank you, Mr O'Connell. I think the committee would like to commend you on bringing a

specific amendment before us, so that when dealing with the legislation it may be helpful.

DON'T EMPTY MIMICO APARTMENTS

The Vice-Chair: The next presentation will be made by Richard Saliwonczyk representing Don't Empty Mimico Apartments. Good afternoon, sir. I believe you also have had the opportunity to watch the proceedings for a while and you understand that you will have 10 minutes to make your presentation. Ten minutes will be allowed for questioning by the committee members. Introduce yourself and your position in your group and the name of your group for Hansard purposes.

Mr Saliwonczyk: My name is Richard Saliwonczyk. I live in Etobicoke. I was born in Toronto and I am a member of a group called DEMA, Don't Empty Mimico Apartments. It is a tenants' organization. I would like to thank the Chairman and the members of the committee for giving me an opportunity to speak on behalf of my tenants' organization.

Don't Empty Mimico Apartments, DEMA, is a community organization of working-class tenants living in affordable buildings in southern Etobicoke. One of our main objectives is to preserve the stock of affordable rental apartments in our community. Many of us have been part of the Mimico community for a number of years and have a stake in its future.

The main objectives of DEMA are the retention of affordable rental homes on the Mimico strip and the improvement of property maintenance in the community. We want to convey our strong support for Bill 4, the Residential Rent Regulation Amendment Act, 1990. We congratulate the government on introducing this bill and listening to the concerns of working tenants who need affordable housing in a city where less than 10% of tenants can afford to buy a home.

DEMA is fighting to maintain affordable rental apartments on the Mimico strip on Lake Shore Boulevard. These apartments are particularly vulnerable because they are situated on valuable lakefront lots. Two luxury condominium developments, Marine Del Ray and Grand Harbour, are being built to the east of these apartments. The working-class tenants in these apartments fear that their homes will be demolished or converted into luxury condominiums. Under the Rental Housing Protection Act these apartments are protected from conversion or demolition. The landlord is attempting to circumvent the act by poor maintenance, which reflects instead on the tenants' housekeeping and which can be used as leverage to demolish or convert the buildings to other uses.

As well, property standards are not being enforced by the Etobicoke building department. An example in Mimico is a landlord who owns three low-rise buildings on the lakefront as well as other buildings in the rest of Toronto. There are 219 units in these buildings. This landlord has not carried out any improvements to these buildings over a number of years. It appears that since February 1989 the management of these buildings has been emptying the units through a variety of means and not rerenting them. Representatives of the tenants' association estimate that 50

apartments are now empty. A high proportion of these units are rented to recent immigrants who speak little or no English.

South Etobicoke Community Legal Services, a community legal clinic in the area, estimates that there are 65% Polish, 15% Spanish-speaking and a very few Vietnamese and the remaining are English-speaking. Until recently a large number of these tenants were government-sponsored refugees. We believe that the owner is intending to convert the use of either the land or the buildings to a use other than the provision of affordable rental housing.

In 1988, South Etobicoke Community Legal Services represented the tenants of these buildings in court against this landlord. The tenants applied to court for a rent reduction and an order that the landlord carry out repairs. Three years later the landlord still has not repaired the building and the tenants continue to suffer from substandard living conditions. For example, tenants must live under holes in their ceilings, broken toilets which the landlord refuses to fix, water damage and mould on the walls and ceilings and draughts from windows which make apartments cold and expensive to heat. In addition, the landlord is charging extra rent money for a new stove and fridge, despite the fact that the stove and fridge are included in normal rent.

It is obvious that this landlord does not care about the wellbeing of her tenants or complying with her obligations under the Landlord and Tenant Act to keep the rented premises fit for habitation. Since the landlord is not willing to keep these apartment buildings well maintained, the tenants should be able to buy these buildings in the form of a co-operative, as was done at neighbouring Kilcooley Gardens. This co-operative was created as a result of another landlord who was not willing to maintain apartment buildings fit for habitation.

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Another example of a landlord who is taking advantage of tenants is a landlord who owns six buildings in the Islington-Lake Shore area. There are about 240 units in these buildings. Under the current rent review system this landlord has been able to increase the rent over 30% in a two-year period. This landlord carried out renovations such as replacing windows, painting hallways, replacing hall carpets and installing hall light fixtures. No repairs were carried out inside the apartments of the tenants. For this the Ministry of Housing approved him a 12% increase for 1989 and a financial loss and 21.7% rent increase for 1990. He has also applied to rent review for an increase in 1991. The tenants in these buildings now owe \$1,000 in rent arrears due to these increases. They are angry because even with these increases the landlord is still not maintaining the apartments in conditions that are fit for habitation. Tenants are forced to buy their own fridge or stove because the landlord will not supply them in their apartments. There are also problems with cockroaches and mice, as well as repair problems in their washrooms and kitchens.

Speaking as a tenant myself, I am a university graduate. I earn \$33,000 a year before taxes and I am not able to afford to purchase my first home. Families and single parents have a lesser chance than I do to purchase their first home. An example of this unaffordability is the

proposed Daniels condominium project on the Goodyear site in Mimico. I went to the open meeting which the Daniels Corp organized for the community. I learned at this meeting that a one-bedroom apartment would cost between \$800 and \$900 a month rent, which I and most people cannot afford. Also, their version of affordable home ownership starts at \$150,000, which again most people cannot afford. Also, the Daniels Corp has no provisions to prevent speculators from buying these units as vehicles to speculate. The Daniels Corp has not considered the need for more services in an area which will need more services due to the increased population, which will be a result of its project.

I would like to conclude with a quotation from a Toronto resident in Sunday's Sun, 31 July 1988, in an article on the crisis in housing: "I feel as though the city where I lived all of my life is being raped by speculators and developers, aided and abetted by politicians who have totally lost touch with what life is really like for the majority of ordinary people."

I want to state again DEMA's support for Bill 4, which I believe will address many of the injustices I have described which tenants are facing in the Etobicoke area.

The Vice-Chair: Thank you. Your timing was perfect.

Mr Winner: Mr Saliwonczyk, I would like to commend you on your presentation. I was particularly interested in your reference to the substandard living conditions that you and your fellow tenants are exposed to, to the extent that you have cockroaches and mice, as well as repair problems in the washrooms and kitchens. I would like to ask you how you would feel were standards of maintenance and services more closely tied in with rent increases the landlords justify from year to year?

Mr Saliwonczyk: That is a very good question. If they were tied in, it is something that the landlords should not be able to take advantage of so that they could increase the rent very unreasonably and very uneconomically if they were tied in. For maintenance, my own opinion is, we pay them rent. With that rent money they should be able to maintain the buildings. They are making a profit.

Mr Duignan: Very briefly, thank you for coming today. It demonstrates yet once again the need for Bill 4 and I urge my Tory colleague to come aboard, it is important though, the same as for my Liberal colleagues.

Mr Saliwonczyk: Could I just mention one thing?

The Vice-Chair: Yes.

Mr Saliwonczyk: Alan Redway, the federal Minister of Housing, actually sent David Peterson a letter saying that he was favouring a land speculation tax.

Ms M. Ward: I think you allude to this in the first part. That part of Metropolitan Toronto is a rather hot area right at the moment, is it not, for speculation and redevelopment and so on?

Mr Saliwonczyk: Yes.

Ms M. Ward: So I see the message in here. You describe the tenants applying to a court order for a rent reduction in order that the landlord carry out repairs. Three years later, you say he still had not repaired the building.

Had that been processed and passed and did they get the order?

Mr Saliwonzcyk: It is still in the process. This is even before the freeze was put on that this particular landlord has done nothing for the last two or three years.

Ms M. Ward: So you have been waiting since 1988 for that.

Mr Saliwonzcyk: I am fortunate not to live in this particular building, but I do live in the area. I rent and I am afraid of my future.

Ms Poole: Mr Saliwonzcyk, thank you for your presentation to the committee today. You have pointed out several areas where obviously the system has broken down. While your concerns are very valid, what we are trying to find on this committee is a solution which is fair to all sides, that some of the landlords who are giving tenants a lot of problems, such as the one you have described, can be penalized, but while the ones who are what we would call good landlords who are providing good services for their tenants are not penalized unjustly.

May I just ask you about capital expenditures and how you would like to see them dealt with. If a landlord spends money on major repairs and not day-to-day things, but really major things such as putting on a new roof, how do you think this should be dealt with? Who should pay for that?

Mr Saliwonzcyk: I think the first question that should be asked is, is the person who is buying the apartment building trying to make a profit out of a necessity of life? We all have to live somewhere. I myself believe in free enterprise, but food, clothing, shelter and transportation are necessary to everyone. If the person or the owner is out to make a profit I do not think he should be trying to pass the bills on to the tenants in order to make that profit. There should be some kind of reasonable formula.

Ms Poole: What about the instances where there is no profit, where the landlord is actually operating at a loss? That roof would still need to be repaired or replaced. In that case, who pays for it?

Mr Saliwonzcyk: I think this is something for the owner of the building. As I said before, if they are in business to make money, they should take that into account as an operating expense. You are asking me if the tenants should subsidize the repair for the replacement of the roof. Basically that is what you are asking me here.

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Ms Poole: I think everybody is agreed in this room that certain things need to be done to our buildings. When the balconies corrode or the roof needs to be replaced, it has to be done. What we are trying to grapple with is who should pay for it and how it should be paid. I guess one of the difficulties I have with Bill 4 is the fact that it says that under no circumstances can the landlords pass on these kinds of repairs. I suspect in many cases they simply will not get done and many more of our tenants than do today will be living in slums and in conditions which you describe here. Many more, and that is my concern.

Mr Saliwonzcyk: I am glad you brought up that point. I am not saying all landlords but some landlords in the past have made very few repairs to their buildings. If the landlords are saying now that they refuse to make any capital costs or major renovations to the buildings, why not let the tenants buy them in the form of a co-operative and let the tenants themselves do whatever repairs they as a group feel are required?

Mr Tilson: Do you think the private sector has any role in the apartment business?

Mr Saliwonzcyk: Could you clarify what you mean? In building apartments or what?

Mr Tilson: Everything. Do you think the private sector has any role in the apartment business: ownership, operation, anything?

Mr Saliwonzcyk: Yes, I do.

Mr Tilson: Those people in the private sector who are doing that, should they make a profit?

Mr Saliwonzcyk: An honest profit, yes.

Mr Tilson: What is an honest profit?

Mr Saliwonzcyk: One where renters are not gouged, taken advantage of.

Mr Tilson: How do we do that?

Mr Saliwonzcyk: You have to set up rent controls.

Mr Tilson: Do you feel that rent controls will allow for people in private enterprise to make a profit? The government, Mr Rae in particular, prior to this election, at least in that interview with Mr Melling which I am sure you have referred to, has indicated that the government should really own everything. Do you concur with that?

Mr Saliwonzcyk: You are sort of asking me on the spot.

Mr Tilson: Yes, I am.

Mr Saliwonzcyk: Okay. To a certain extent.

Mr Tilson: To a certain extent you agree with that?

Mr Saliwonzcyk: Yes.

Mr Tilson: If that is the case, at what cost? In other words, how far do we go? Will that not result in our taxes increasing?

Mr Saliwonzcyk: Not necessarily.

Mr Tilson: How is the government going to take over these buildings and maintain them?

Mr Saliwonzcyk: If tenants could form a co-operative and buy these buildings, they would incur the cost themselves. On their boards, they would decide what they would want done as improvements or luxury items or whatever, but they would be deciding among themselves.

Mr Tilson: How do we get to that stage, though, when you have indicated that many tenants simply cannot afford to get into that? They cannot afford the rents that are being charged, so how are they going to buy buildings?

Mr Saliwonzcyk: Collectively, they could buy the buildings. From what I understand, there are programs that are supposed to enable groups of tenants to form co-operatives.

Mr Tilson: Yes, there are. Do you think that should be the way our housing stock should go, with all co-operatives?

Mr Saliwonczyk: I would not say all co-operatives, but in a city where less than 10% of the tenants can afford to buy the first home, what other option do I have?

Mr Tilson: Where are these buildings that you are referring to and how many are there?

Mr Saliwonczyk: I do have the information, but I do not know if it is appropriate to give it.

Mr Tilson: Yes, I would like to know where the buildings are and what their addresses are so we have a fair idea as to where they are.

Mr Saliwonczyk: I do have them, but I—

Mr Tilson: Could you give me the addresses?

Mr Saliwonczyk: Over the microphone?

The Vice-Chair: I would caution that perhaps the witness is concerned with what I cautioned witnesses about the other day. He could perhaps provide those to you privately rather than in public.

Mr Tilson: Are we talking one building or 10 buildings or what are we talking about?

Mr Saliwonczyk: Okay. Three buildings in one area.

Mr Tilson: And what is the average rent for those buildings, say, for a two-bedroom apartment?

Mr Saliwonczyk: I am not sure, but for a one-bedroom apartment—

Mr Tilson: All right. Let's try a one-bedroom apartment.

Mr Saliwonczyk: Okay. It is about—

The Vice-Chair: Thank you, Mr Tilson.

Mr Saliwonczyk: All right. Sorry.

Mr Tilson: The beat goes on, Mr Chairman.

The Vice-Chair: Time has expired. Thank you very much for coming before us this afternoon. We appreciated the information you had to provide.

Mr Saliwonczyk: Thank you for giving me this opportunity. I hope there will be some affordable housing in the future.

The Vice-Chair: That is what we are all here for.

BRETTON PLACE TENANTS' ASSOCIATION

The Vice-Chair: The next presenters will be the Bretton Place Tenants' Association, represented by Betty Postill, vice-president. For Hansard purposes, would you identify yourselves and your positions within the organization. Then you have 10 minutes to make a presentation and the committee will talk to you for 10 minutes.

Miss Postill: I will do my best. Good afternoon, Mr Chairman and members of the committee. My name is Betty Postill. I am vice-president of the Bretton Place Tenants' Association. I have lived in the complex for 23 years. I am standing in for our president, Chris Horne, who is unfortunately out of the country on business and unable to attend this hearing. Accompanying me today is Helen

Cox, who is a director of our association and has lived at Bretton Place for 25 years.

The Bretton Place complex, located south of St Clair Avenue and east of Yonge Street, is comprised of two buildings, 44 Jackes Avenue and 33 Rosehill Avenue. There are 626 units. These units include bachelor, studio, one-, two- and three-bedroom apartments and penthouse suites.

In 1989, the rents ranged from \$450 for a bachelor to \$2,200 for a large penthouse, exclusive of hydro and cable TV charges. These figures were taken from an application for whole building review dated 21 November 1989.

The Bretton Place Tenants' Association is an active, ongoing organization which was formed in the fall of 1982 as a result of the concerns of the tenants at the time of the sale and subsequent flip of the Cadillac Fairview buildings, including ours. By choice, we are not a member of the Federation of Metro Tenants' Associations in this city. We are pleased finally to be able to have some input into the legislative process.

We wish to give you a brief outline of how arbitrary legislation by successive provincial governments hurriedly enacted has resulted in a roller-coaster ride for the tenants of Bretton Place. The following are points we would like to bring to your attention.

First, the buildings were sold by Cadillac Fairview and subsequently flipped twice, resulting in the doubling of the market value of the buildings.

Second, the provincial government appointed Clarkson Gordon as the receiver.

Third, we had developed a good working relationship with the receiver, and a proposal for converting our complex to condominiums was developed. At that time, more than 40% of our tenants had been living in the complex for more than 15 years. More than 80% of the tenants had signed an agreement to convert. More than 50% had signed agreements to buy their units.

Fourth, the city council approved our submission. Our units would belong to us and a \$2-million contingency fund would surely see to the refurbishing of an aging building. It was built in 1966.

Fifth, the provincial government enacted the Rental Housing Protection Act, preventing all conversions, including ours.

Sixth, subsequently the receiver sold our buildings to Halwood Properties.

Seventh, for the next three years we were faced with substantial rent increases, 33% over three years, to cover financing costs as allowed by legislation. The renovations and refurbishing were on hold.

Eighth, again we developed a good working relationship with our most recent owners. We proceeded in good faith to strike an agreement, incurring some expense, approximately 9%, to begin the needed improvements.

Ninth, once again the provincial government has stepped in and placed a 27-month moratorium on capital expenditures.

Tenth, as a result of this work, the work on our complex has been placed on hold. Apparently our owners have elected to cut their losses and leave things in an incomplete state.

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Based on our experiences, we would like to make the following recommendations or suggestions:

1. Some limit to the ability of landlords to pass excessive financing costs on to their tenants is essential.
2. We recognize that the province has a large number of aging buildings in its rental stock. You need to look at creative ways of solving this problem without tenants having to be hit by exorbitant rent increases. Perhaps a contingency fund for major capital expenditures should be a necessary part of each sale involving rental stock.
3. Landlords and tenants in buildings of 30 or more units should be encouraged to work together to come to some kind of mutually agreeable proposal for capital improvements. Where the landlord and a tenant group or a majority of tenants agree to these capital improvements, the rent increase to cover such improvements should not be more than 10% or double the provincial allowable increase, whichever is the lesser.

4. If agreement cannot be reached, then both parties would proceed to binding arbitration.

5. Finally, perhaps you would consider a clause requiring landlords to dedicate a reasonable portion or percentage of their rental income to maintenance, repairs and replacement.

In conclusion, we are concerned about what kind of rent review application we will confront two years down the road. We are strongly in favour of provincial rent controls. However, we are highly cognizant of the importance of landlord-tenant co-operation, which, we must remember, is beneficial to both parties.

We hope that the honourable minister, in consultation with this committee, will incorporate all of these concerns in future legislation. This concludes my remarks, and I thank you again for the opportunity to present the views of the tenants of Bretton Place.

The Vice-Chair: Thank you very much. You do have a few more moments.

Miss Postill: No, thank you. I have said what I have had to say.

The Vice-Chair: Thank you. Then the Liberals will be beginning.

Ms Poole: Thank you very much for your presentation today. I am particularly encouraged by it because you have given us concrete ideas of how we could go about making sure there is a fair system in place.

I wanted to address a couple of things. The first is the retroactive nature of this bill. You and your landlord came to an agreement, I believe, that the capital expenditures would not exceed a certain amount. I believe it was under 10%.

Miss Postill: Yes, it was.

Ms Poole: The landlord proceeded with these capital expenditures and was part way through when word came down that Bill 4 was going to be enacted.

Miss Postill: Yes.

Ms Poole: So right now you are in a state of frozen chaos, where part of the work is done but part of it is not.

Do you support the fact that your landlord will not be able to be reimbursed for any of those capital expenditures that he, she or it incurred?

Miss Postill: No, I am not and I think, as you stated, we are in the middle. We sat down and they gave us a list of all the things that they thought should be done to the building. We sat down and gave them our list and we worked out what we thought was a reasonable number of things to be done, amortized over a number of years, and they agreed not to ask for more than 10%.

They indeed started the plumbing repairs in our buildings. We have two buildings. The larger building is now almost complete and they have just about finished up in that building. They did the main risers in the other building and they have now stopped there and covered up their holes. They have done a very neat job of finishing it up, but they did not finish the plumbing in that building. But they cannot get back their costs and I think they should be allowed to. We started out in good faith. Effectively this is the third time we have come to agreements and then the provincial government has stepped in and changed the rules.

Ms Poole: I can understand your frustration, particularly because you were part of the original problem with the Cadillac Fairview flips that created so much consternation.

Miss Postill: Yes.

Ms Poole: You have certainly had a checkered history.

Miss Postill: Yes. I thought the roller-coaster ride was an apt description.

Ms Poole: With capital expenditures, you have made several suggestions which I think we should definitely look at. I guess your final point was that maybe we should consider a clause requiring landlords to dedicate a reasonable portion or percentage of their rental income to maintenance, repairs and replacement. Do you see this working like a condominium reserve fund, that type of thing, or are you talking about some sort of fund where the tenants would pay a part of it and the landlord would pay a part of it? How do you see that working? I can appreciate that you do not have all the details and you are just floating some ideas around.

Miss Postill: We only heard we had this opportunity last Thursday. I think we did mention earlier that there should be a contingency fund for major capital expenditures when a building is being purchased. That does not help owners like ours, who have already purchased ours under existing legislation figuring they could get them back.

Ms Poole: So you are specific in talking about the point of sale.

The Vice-Chair: Thank you, Ms Poole.

Ms Poole: Thank you for your presentation. That was very helpful.

Mr Tilson: One of the questions our party is concerned with, and it appears you are as well, is the issue of retroactivity. Is it fair? I believe you are saying it is not fair. It appears to be in favour of the tenants, but it may not

be as time goes on. At first blush it appears to be, but if work is not done or if it causes financial difficulties to landlords standard maintenance may not get done; that is the way I get it. The whole issue of retroactivity, which hopefully more and more tenants and landlord groups are agreeing on, is that one issue. There is the reliance and confidence the public has in a government when rules are changed. When you go along in a certain way, you rely on that; this could apply to tenants as well. Do you have any further thoughts on that?

Miss Postill: I was just thinking of an analogy while you were speaking. I teach school, I have been teaching for 32 years, and this legislation reminded me of myself. When I am worried about losing control of the situation, I crack down on the whole class and then step back and say: "Excuse me. I've made an error here. I have no business penalizing the whole group for the errors of a few or indeed even for myself." So I have to backtrack. I got the very strong feeling when this legislation was enacted: "Whoops, something is out of whack so we're going to penalize the whole group." I felt like I had been penalized. I am speaking as an individual, not necessarily as the vice-president of Bretton Place, but I know there are others who feel the same way.

As far as these capital costs are concerned, another personal opinion, if I may step aside from my position, is that when you refurbish a building and improve its quality, you then would expect that if you were coming from outside you would pay more to live in that building. When I moved in, it was considered one of the better buildings and I could not afford the rent; my parents had to help me to pay. There were less expensive buildings down the road, but it did not offer what this building offered. Does that answer your question?

Mr Tilson: Yes, it does. I think that gets to a further question about quality of living. You were starting to get into that. I do not know whether you have read Bill 4 or at least a synopsis of it. Looking specifically at Bill 4, which, as the minister has indicated, is moratorium legislation which goes for a two-year period of time, does it help existing tenants? Does it help future tenants? In other words, does it help the quality of life of present and future tenants?

Miss Postill: One of the things we are very worried about is that because our landlord went out and made these loans—I do not know on what basis he got the loans, but I have to assume that the banks took into consideration that he would be able to have those costs passed through and they would have no problem collecting. He is now forced to carry those loans for the duration: 27 months. Are those costs going to then be passed on to us as well as the capital expenditures down the road? If so, that worries the heck out of me, because not only are we going to be carrying some or an equitable amount of the costs for these renovations but we are also going to be paying for the carrying charges for a 27-month wait before we do it.

1720

Mr Winninger: I certainly agree with you in principle that agreements between tenants and landlords for capital improvements are generally desirable. Did you ask your landlord in this particular case, Halwood Properties, why after three years and a 33% increase in the rent it could not afford to carry out necessary plumbing repairs to your complex without increasing the rent by 9% beyond the guideline?

Miss Postill: First, I think we need to clarify the word "necessary." Where there were leaks or problems with the plumbing, they were repaired and have been all along. This was in order to redo all of the galvanized piping and reduce the gauge of the pipe, etc, so we had an efficient system that was not having leaking problems.

As far as those three years were concerned, under the legislation I understand he was allowed to collect those costs for his hardship. It was the receiver who sold him the building so it was the provincial government that allowed him to buy it at whatever down payment he used and whatever carrying charges he had.

Mr Winninger: Have those financial hardship costs allowed to the landlord ever been taken away from the rent as cost no longer borne?

Miss Postill: No.

Mr Winninger: Does that strike you as fair to the tenants, if financial hardship declines that that cost is still built into your rent?

Miss Postill: There are two answers to that. Again I must speak as an individual. On some levels, yes, but on other levels, when I look around at the apartments in the area that are brand-new, I am still paying way less than what they are paying.

The Vice-Chair: Thank you very much for appearing before the committee today. Members of the committee will know that this completes the work for today.

I believe the clerk has distributed to all members a folder with the travel information in it. As you know, we will be leaving Queen's Park tomorrow after the hearings to go to London. There will be hearings in London on Wednesday and in Windsor on Thursday.

Mr Duignan: I understand that the bus is leaving around 6 o'clock tomorrow.

The Vice-Chair: That is my understanding.

Mr Duignan: I wonder if that could be put back to 6:30 or 7, because we have a caucus meeting tomorrow and I understand there may be some sort of briefing to the members of the committee, who will not be at that caucus, right after these proceedings end tomorrow. They are not scheduled to end until some time around 5:40, but as we are always running late that could be 6 o'clock, so we may need some extra time.

The Vice-Chair: I suspect there will be some flexibility there. We can perhaps work that out as we go along, provided it does not throw the entire schedule off.

Mr Tilson: On a point of order, for you as Vice-Chair and Mr Mancini as Chair to consider: it is a general question which applies to everyone, I suppose.

Two speakers ago, I think you suggested that perhaps they not give their address. I do not understand the rationale for that. If people are prepared to come, I believe I am entitled, as a member of this committee, to know where they are and what problems that particular building is having. I see nothing wrong with that.

The Vice-Chair: The witness was showing much reluctance in answering your particular question. As you know, witnesses before this committee are not protected by the immunity that we as parliamentarians have. Therefore, if a witness says he is reluctant to divulge certain information, I do not think it behooves this committee to try to extract that information in public and perhaps cause the witness some legal difficulty. I am not saying that would have happened, but I think we have

to be careful that we protect the rights of the people before the committee.

Mr Tilson: If the Chair feels I am badgering a witness, I think it would not be improper for you to interrupt me. But unless the witness makes that statement—that witness may have implied it but did not make that statement—I still think it is useful for me to know, because I have a line of questioning I would like to ask specific applicants, where they are and other questions like it. Once you stop on that question, I cannot ask those other questions.

The Vice-Chair: Your point is well taken. The committee is adjourned until tomorrow morning at 10 o'clock.

The committee adjourned at 1725.

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Amendment Act, 1990

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Première session, 35^e législature

Journal des débats (Hansard)

Le mardi 22 janvier 1991

Comité permanent des affaires gouvernementales

Loi de 1990 modifiant
la réglementation des loyers
d'habitation



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Tuesday 22 January 1991

The committee met at 1008 in room 151.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: The first delegation before the committee this morning is the Ontario Public Service Employees Union. I would like the representatives to take their seats in front of the room. Your organization has been allotted 40 minutes before the committee, 20 minutes of which you can use for an oral presentation to the committee and we will reserve 20 minutes for questions and answers. Without taking up any more of your time, I turn the floor over to you. I just ask you to identify yourselves and the positions you hold in your organization.

Ms Whitehead: Good morning. I am Carol Whitehead and this is Nick DiSalle. We are both research education officers at the Ontario Public Service Employees Union. We are speaking to you today on behalf of OPSEU, which represents over 100,000 working people in Ontario. We would like to express our strong support for Bill 4 as an interim measure to help retain the current limited stock of affordable housing for working people in Ontario.

The lack of affordable housing in Ontario is a problem of which we are all well aware. Transitions, the report of the Social Assistance Review Committee, named unaffordable housing as one of the two main causes of poverty in this province.

The CMHC has estimated that over 30% of people in Toronto and other metropolitan areas spend more than 30% of their income on housing. With this overspending on housing, little is left for other basic needs. Thus we are seeing an increased use of food banks and, further, an increase in the number of economic evictions of people who simply cannot afford their rent.

It is OPSEU's position that housing should be viewed as a basic right, as are health care, education and essential social services. Consequently, we feel that the government has a responsibility to protect the current stock of affordable housing. We view Bill 4 as an excellent interim measure to assure tenants some protection from economic eviction and other hardships caused by exorbitant housing costs.

The housing crisis in Ontario has many faces. It includes single parents on social assistance using food banks because of high rents, families of low-wage workers living in cramped and overcrowded apartments and an increase in homeless singles and families. In the final analysis, the effects of overspending on housing impact not only on

adults but on children who live in poverty due to high housing costs.

In the past few years, periods of near-zero vacancy rates have increased the rents in many units beyond the levels many can afford, especially in large urban centres like Toronto. The current rent review system has led to a situation where tenants are often forced to pay illegally high rents. However, under the current rent review system the onus is on tenants to prove illegal rents, not on landlords to obey the law.

Another factor contributing to the current housing crisis is the inability of non-profit housing development to keep pace with the loss of affordable units through demolition and conversion. The private sector seems to make the development of affordable housing a priority only when large profits are guaranteed.

Further, the fact that our whole country is facing a recession means that more and more people will be losing their jobs and their homes and will need affordable housing.

The onset of the current recession has also led to high unemployment in many areas of the economy. Blaming Bill 4 for an increase in unemployment is ludicrous. Unemployment in areas related to housing has been high since long before this bill was even proposed. High unemployment levels make it even more important to ensure the availability of affordable housing. Under the current rent review system, tenants in Ontario have been subject to rent increases which many simply cannot afford.

Under current guidelines, maintenance costs are factored into the annual automatic rent increase. However, if landlords prove to the rent review board that they have costs above and beyond the guideline, further increases are granted. Tenant advocates recognize that landlords are asking for, and often getting, financing for capital expenditures which have often become necessary simply due to years of landlord neglect or for unnecessary cosmetic work which will improve the resale value of the building but not the lives of the tenants who live there.

In speaking to some of our members in preparing this submission, we were told of cases where tenants are sure that their landlords' claims for increases are unjustified, but because the current system does not facilitate tenant involvement and consultation in the rent review process, their views are often unheard. The lack of tenant input into the current rent review process is another issue that must be addressed.

Finally, the current system promotes housing as a commodity rather than a right, and encourages landlords and speculators to make a profit at tenant expense. It is our view that the government should intervene to protect the availability of affordable housing when market forces of supply and demand are undermining it.

We support Bill 4 as an interim measure to protect tenants from economic evictions, to help ensure the supply of affordable housing and prevent the regressive distribution of income from tenants to landlords. It is important to remember here that what we are talking about at the most basic level is the right of people to adequate, affordable housing.

Landlords have been making appropriate and sometimes exorbitant profits for years, and if the choice is between profits shrinking and people using food banks, we think the choice is clear. It is one thing to have profits suffer, and another to go hungry because rent costs are too high. Landlords can choose their investments, but tenants cannot choose their need for housing.

We also think it important to remember that the current government was elected on a platform that included rent controls, and we urge you all, government and opposition members, to listen to the strength of the popular vote and begin, with this interim bill, the development of a strong housing policy which includes the protection of adequate affordable housing. We look forward to participating in this process.

Mr Turnbull: You raised several interesting points. You speak about illegal high rents. Can you tell me how you believe Bill 4 will address that?

Ms Whitehead: Bill 4 is being proposed as an interim measure to protect tenants while further housing policy is developed. I do not think it addresses it specifically, but what it will do is protect tenants in the short term while they very much need protection.

Mr Turnbull: It does not address it at all, actually. It has no bearing on it whatsoever. You speak about profits of landlords on the backs of tenants. Do I take it you are against private ownership of property?

Mr DiSalle: No, we are not against the private ownership of property. Our membership is very varied and it works in many different sectors of the province. About 1,000 of our members work with the very poor. We have seen that in fact they are being charged exorbitant rents for buildings that do not merit that type of rent.

Mr Turnbull: So really your argument is that you have certain buildings that do not merit that kind of rent. It seems to me that there is very little bearing between the buildings that warrant a high rent or not and the people who are living in there. What about the people who live in low-rent buildings and have very fancy cars in the basement? I am not against tenants. I emphasize this. We are very supportive of tenants and we are supportive of the right of people to have decent accommodation. We are objecting to this particular law because of many of its features, particularly the retroactive aspect of it, and I ask you, what would you do if the government were retroactively to reduce your wages?

Mr DiSalle: Governments have done that in the past to civil servants.

Mr Turnbull: Have they taken the money back that you have already spent, going months back? I am not talking about reducing your wages. I am talking about actually saying: "All of those increases you've got in the past are

now illegal. We're taking it back." That is effectively what is being done here.

Mr DiSalle: Sir, at this point I think you have to understand the circumstances of the people in Toronto. I speak of Toronto because I live here. I have worked in public assistance for 12 years and, let me tell you, there are thousands of people who are being gouged by rent already and they end up in food banks every month.

Mr Turnbull: I want to understand what your definition of "gouged by rent" is.

Mr DiSalle: I think we have to look at what can be affordable housing and we have to keep that in mind. When people are paying way beyond 30% of their income, some are paying as much as 50% and 60% of their income, I think that is being gouged.

Mr Turnbull: That has absolutely nothing to do with this kind of legislation. It is not going to roll it back.

Mr DiSalle: No, but I think it is an interim measure that will protect them while they work on a more permanent bill.

Mr Turnbull: There was a discussion of non-profit housing being one of your solutions. Can I ask you, is it reasonable that this government is spending in subsidies the equivalent per unit that it is subsidizing of co-ops: \$245,000 per unit in one particular case that was announced in Scarborough, which is more than the price of the average new house in Metropolitan Toronto today? Is that a reasonable way of spending government funds when other people are, as you say, being gouged in paying 60% of their incomes? Does it seem reasonable that you select a small portion of society and subsidize it and ignore the other people who are paying 60% of their income?

Ms Whitehead: I would just like to clarify two things. One is, you stated yourself that what we are here today speaking in support of is Bill 4 as an emergency interim measure. We are not here to debate the other aspects of housing policy. We very much look forward to the discussion paper that is expected to come out, I believe, in the middle of February, and to taking part.

Mr Turnbull: You actually brought up non-profit housing. You are the one who brought it up.

Ms Whitehead: Yes, in the context of the current lack of affordable housing and the need for interim emergency measures to protect tenants.

Mr Turnbull: There is going to be an ongoing lack of affordable housing if the government mispends taxpayers' hard-earned money on selecting a few people to have exorbitantly high subsidies while other people suffer from lack of affordability. Surely, shelter subsidies would be more appropriate so that it addresses in a more evenhanded way the people who cannot afford proper accommodation.

Mr DiSalle: As my colleague mentioned, these are two different issues, but the shelter subsidy you are referring to must be protected and I think the interim bill will do that. If you do not protect it, it will just pass from the tenant into the landlord's hands.

Mr Turnbull: There is no shelter subsidy.

Mr DiSalle: I am referring to people on public assistance who get shelter subsidies. What has been happening is that the increases in rent are just eating that subsidy right up and they end up at food banks. As far as affordable housing and the unit price you are talking about, I think we have to look at the way land is made available for non-profit groups and how speculation on land forced the price of land so high that it made non-profit housing very expensive. I think we have to look at the way we provide land in order to address the issue you are talking about.

Mr Turnbull: How would you provide land?

Mr DiSalle: I think it is a broader issue and we are not prepared to discuss that at this point.

Mr Turnbull: You have raised it, that is why I am asking what you mean by it.

Mr DiSalle: We responded to you.

Mr Turnbull: A final question, OPSEU—is it not correct that several members of the government are in fact ex-union officials of yours?

Mr DiSalle: I believe there are one or two, yes.

Mr Turnbull: Is there any pressure from them to get support?

Mr DiSalle: Absolutely not.

Mr Turnbull: Is it correct that the government is considering extending rights in elections to you that you have not enjoyed before?

Mr DiSalle: What has that to do with the interim bill?

1020

Mr Drainville: Mr Chairman, what kind of question is that? Come on.

Mr Turnbull: I suggest this is the government's agenda being pushed forward to—

Mr Mammoliti: We are here for the people.

Mr Drainville: On a point of order, Mr Chairman: As far as I am concerned, sir, in terms of the questioning of the witnesses who have come before us, we are talking about Bill 4 or we are talking about larger housing policy. The kinds of things the member opposite has raised are totally unessential to this discussion and I think he needs to be given some direction as to how he is moving in his questioning.

Mr Turnbull: Mr Chairman, we have had lines of questioning from the NDP which were totally irrelevant to Bill 4. We have had witnesses such as these who have rambled on about illegally high rents, non-profit housing and so forth, which have nothing to do with Bill 4. They are the ones who raised the issue so I am the one who pursued. If we want to confine ourselves to purely discussing Bill 4, I am very happy to do that.

Mr Drainville: What did your last question about the NDP government have to do with housing?

Mr Turnbull: You did not follow what I have just said. I said if the NDP agrees to totally confine itself to the discussion of Bill 4 and we insist that the people giving submissions confine themselves to Bill 4, then we will be happy to confine ourselves to it.

Mr Mammoliti: On that point of order, Mr Chairman: If you make a rule, I hope you realize that if you accept that line of questioning, then you are opening up the door for that sort of thing in these hearings in the future. We have restrained ourselves. We have stopped from asking questions that we have wanted to ask in and around that area, so please keep that in mind.

The Chair: Is it just because I have returned to the chair that all this happens?

Mr Mammoliti: I was not here yesterday either.

The Chair: I just want to remind all committee members what they have been telling me from all sides since the hearings first began. All committee members have explored me to try to keep the questioning and the answers basically towards Bill 4, so I am going to give the same advice to all committee members. Do the best you can to try to keep questions, answers and our work towards Bill 4. I do not mind a little bit of latitude. There is no magical line in the sand. But, yes, we are straining to try to justify some of the questions that I heard this morning. We are straining, Mr Turnbull, so I would ask all committee members to try to be more to the point and closer to Bill 4.

Ms M. Ward: I do not think that response addresses the question of what I see really as abuse of people who are essentially our guests here. No matter what their response is, they are here responding to our invitation and I do not think we should have insinuations made against them.

The Chair: The Chair cannot develop questions for the members and the Chair wants the proceedings to go along as smoothly as possible, to give some latitude, and I offer each committee member the same advice that was offered to me the first week of the hearings. Let's try to keep our questions and our answers to Bill 4. It is going to be difficult and on some occasions we are going to annoy each other, but I think that is part of the process. Yes, a couple of Mr Turnbull's questions were straining the advice I personally received from the committee members, and I think there have been numerous occasions from all sides where that has happened.

Mr Brown: Say it's not so.

The Chair: It is so. The people before us are very experienced people. I met Nick many years ago, so he is familiar with the political process. I am sure he can defend himself if it absolutely comes to that, but yes, you are right. The witnesses are our guests and we have made time for them to be here and we should do the best we can.

Mr Turnbull: Mr Chairman, I am happy to accept the advice of the Chair. However, I will have to ask that when we are hearing submissions from people bringing forward information, they should restrain themselves and keep relative to Bill 4. Illegally high rents have nothing to do with Bill 4. Non-profit housing has nothing to do with Bill 4.

The Chair: Mr Turnbull, I did not rule you out of order; I did not rule your questions out of order. I just made note of what some of the committee members have been saying today, before, last week. Let's proceed, please.

Mr Mammoliti: I have only got a short period of time. I think other people want to ask some questions. So I am going to ask you two or three questions and I would like you to respond as quickly as possible, if that is okay. I want to relate this to workplace stress and I want to relate Bill 4 to workplace stress.

Mr Turnbull: On a point of order, Mr Chairman: I fail to see what workplace stress has to do with Bill 4.

Mr Mammoliti: If I may respond, I have not even asked the question, so how can there be a point of order? If he were to hear my question and then perhaps proceed with his point of order, I could understand it, but I want to relate workplace stress to Bill 4 and what I see as being relevant.

The Chair: Let's give it a try.

Mr Mammoliti: Good.

Mr Mahoney: The rate of suicide.

The Chair: Let's see how it works.

Mr Mammoliti: Workplace stress: First of all, stress is caused by all different things. Does stress affect a worker and the productivity of a worker in the workplace?

Mr DiSalle: I do not have any specific evidence of that. I would just be speculating, so I do not think I should answer that question, to be fair. I have not looked at it from that aspect.

Mr Mammoliti: Okay. In your opinion, when somebody is suffering because they cannot pay the rent, for any reason, whether it is an increase in rent or whether it is because their rent is high at that point, do you believe, in your position with the Ontario Public Service Employees Union, that will have relevance to the effect at the workplace? Is their mind on the job, basically?

Mr DiSalle: I suppose if someone is expecting a rent increase or cannot afford where he or she is living, then obviously that is going to impact on his ability to perform at work. I would not say that I have evidence to that effect, but I suspect it would probably have an impact on people's behaviour.

One thing I can tell you, in my experience as a public assistance worker, is that many times I would visit clients and go over their budget with them, and you would always be in the position of trying to be an apologist for the rents and for the amount of public assistance. That did provide a lot of stress for people I saw who felt trapped and unable to escape from this particular circumstance. That would be my experience as far as stress is concerned.

Mr Mammoliti: So having a piece of legislation in there that would stop somebody from having to think about not paying the rent at the end of the month and being able to afford it will certainly stop some of the stress at the workplace.

Mr DiSalle: I would agree. If someone is confident in his own mind that he is not going to get an unexpected rent increase come his lease renewal, I think that would provide peace of mind, of course.

Mr Mammoliti: Which means more productivity at work?

Mr DiSalle: It is hard to say, but I imagine if someone has peace of mind he probably would work better.

Ms Harrington: I would like to thank Ms Whitehead and Mr DiSalle for coming. I think your organization and ours would agree that this rent review system we have had in place is definitely not working and that what we are attempting to do is to fix the system to make it a fair system and to make it an efficient system also.

What you brought up were the effects of poor maintenance as well, which is something that has been a problem in the last legislation and that we want to address for the future. You also mentioned that some of your members work with the poor and that you have sort of a close, hands-on type of knowledge of what is going on there. You mentioned some of the effects of the housing rents that are paid, the food banks, the homeless singles and the overcrowded apartments. This is something that many of us in Ontario, the average person, say the middle class, is not aware of, that connection directly with housing prices and the situation that is there because very often it is so easy to just ignore it.

1030

My question to you was with regard to a point that you brought up about the philosophy here. We know that we need private enterprise to provide housing and some help from government to make sure the system is fair and that it is working for everybody. You mentioned somewhere in your submission that housing is a right. Do you think this has been so in the past and how can we get it to be more of a right as seen by everyone?

Mr DiSalle: I do not think it has been a right in the past because from our experience, from my personal experience and that of my colleagues in the public assistance, you would find people doubling and tripling up in apartments because they just simply did not have access to affordable housing. I think the bill will at least attempt to protect what affordable housing is out there. In that sense, I think it is helpful.

Mr Mammoliti: On the issue that Mr Turnbull brought up, I would like to just clarify that. He asked you whether government has ever taken away increases. Did something not happen in 1983 or 1984 where there were all kinds of collective agreements—

Mr Mahoney: Point of order, Mr Chairman—the same point of order the honourable gentleman raised earlier: What in the world have collective agreements in 1984 got to do with this bill?

Mr Mammoliti: Mr Turnbull wanted to know whether or not the government has ever taken away something, I guess to prove a point that he was trying to make.

Mr Mahoney: You said he was out of order.

Mr Mammoliti: No, not on that point, Mr Mahoney. I did not say he was out of order on that point. It was another point that he was out of order on. Obviously you were not listening.

The Chair: You have time for one very quick question, Mr Mammoliti.

Mr Mammoliti: The question is, has the government ever taken away collective agreements that have been signed in the past through legislation?

Mr DiSalle: They have, but I am not an expert on negotiations. I know for a fact that they have rolled back salaries of civil servants in the past, but to get into that argument we would have to bring in our negotiating department.

Mr Mahoney: I really did not realize the significance of this bill until I heard this morning that it is going to increase productivity in the workplace and solve stress in the province. It might even help us win the war if we keep going along this line.

I appreciate OPSEU coming before us and accept the fact that OPSEU has a vision that is very much in line with the NDP government. I am not at all surprised at the presentation and think it was a good presentation from the perspective of the constituents that you represent. I do not accuse you in any way of rambling or doing anything but stating what has philosophically been your position, the position really of most organized labour and the position of the NDP government.

Having accepted the fact that philosophically perhaps some of us are on a little different wavelength, I would like to have you put on the record some of your positions with regard to the overall housing issue, and I am going to try desperately to keep it within the framework of Bill 4.

We heard yesterday many quotes from the Premier that would seem to indicate he really believes the private sector should not be in the housing business at all. I just wonder if you feel that the scenario of devaluing current rental properties—we always refer to them as our stock; I find that interesting—the devaluation of existing housing will lead to a simple takeover of those housing units by the government and, if so, is that appropriate?

Mr DiSalle: I am sorry; I do not understand what you mean by devaluing.

Mr Mahoney: I think what we are attempting to do is take people right out of the private sector housing business. Do you think the private sector has any role in developing and maintaining rental accommodation?

Mr DiSalle: I believe they do, and I think the government also has a responsibility to protect affordable housing stock and to provide housing for those who need it. As we stated earlier, we think access to housing is a right, but we are not saying that the private sector should not be involved in it. Of course they should be involved in it.

Mr Mahoney: I do not know if you had an opportunity yesterday to view these proceedings on television, but how do you feel about the lady from Sudbury who was here who broke down—if you want to talk about stress—because she has lost her life savings? I mean, she is not Greenwin Properties or, as the Premier says, 12345 Ontario Ltd. She is simply an individual who has taken a risk under the rules of the game that were in place prior to 6 September, knowing what the rules were and believing this to be a fair and democratic province. How do you feel about the position she has been put in of virtual bankruptcy?

Mr DiSalle: I did not hear the woman you are referring to, but this is an interim bill and I think the government is looking at developing a more permanent bill. I think those are the types of things that we would like to address at that time.

Mr Mahoney: Do you think it is fair that any government—forget political philosophy—in the free world could come along and simply say, “We are going to go back three months” or whatever period of time “and change the rules?” Would you like them to do it to the labour movement?

Again, you have said you are not an expert on whatever Mr Mammoliti was referring to in 1984, nor am I, but it is simply a question of fairness. Is it fair to go backwards and say we are going to make this retroactive when you consider the fact that it is illegal, for example, for municipalities to do that? You are not allowed to go back under provincial law and yet the provincial Legislature, under the new socialist government, can just come along and, boom, go backwards. Is that fair to you?

Mr DiSalle: We are here to support the interim bill. A discussion on jurisprudence is something else.

Mr Mahoney: I asked you for an opinion. I want to leave some time for my colleague. Do you think it is fair?

Mr DiSalle: I have to have a chance to study that, perhaps, in more detail.

Mr Mahoney: No. The question is, is it fair to go retroactively back and change the rules that people have been operating under? Just philosophically, do you agree with that?

Mr DiSalle: It depends on a lot of circumstances—

Mr Mahoney: You should have run in the election. You are very good at dodging questions.

Ms Whitehead: If I could just make a point, for landlords buying housing as an investment, it is an investment and with all investments there is risk involved. Yes, it is unfortunate if a few landlords suffer.

Mr Mahoney: Is it unfair?

Ms Whitehead: I think the question of fairness has to include tenants in the province who are suffering so much that they are having to go to food banks. That is truth; that is happening. I think the question of fairness has to be looked at in a larger context.

Mrs Y. O'Neill: I just want to remind the committee of the statement made in the throne speech, “We must build a society in which all Ontarians can achieve the best of which they are capable.” I am having a lot of difficulty with your presentation and some of the questions that were placed by the government members. “We must build a society in which all Ontarians can achieve.” Mental health of workers is important and I have worked in that area, but mental health of investors is also important, and certainly small investors. I see a difference being made and that bothers me a lot.

I also see a difference in what is considered a right. A right to housing, I believe in. I have many public housing units and co-operative units in my riding, which I support in every way I can. But I also think investors have rights,

and certainly small investors like the ones who have had difficulty presenting their cases to us in front of this committee.

I ask you again, as Mr Mahoney has asked, do you feel this Bill 4 is fair, particularly in its retroactivity? Retroactivity, as we have not mentioned in this committee, also involves tenants who are under appeal.

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Mr DiSalle: Let me say this about your question, I have met people who have had rent increases that were illegal and never redressed, so there is a lot of unfairness out there.

Mrs Y. O'Neill: Are you telling me there are appeals that have also been halted by Bill 4?

Mr DiSalle: Nobody polices it and so it goes unchecked and it goes without redress in many instances, and it is mostly the poor, those who are least able to defend themselves.

Mrs Y. O'Neill: I do not think you are answering my question.

Mr DiSalle: We are talking about fairness. There is a lot of unfairness everywhere.

Mrs Y. O'Neill: Do you know if there are appeals—

Mr DiSalle: I think this is an interim bill.

Mrs Y. O'Neill: Would you please listen? Are there appeals of tenants that you know of? I think this committee should be made aware of where there is unfairness. Where you say there has been illegal rent and they are under appeal, are there tenants caught in this catch-22 as well? If you know of them, I think you should present them to this committee.

Mr DiSalle: What I would like to talk to you about is that those are not even brought to appeal. A lot of the people we are talking about are unable even to access the system.

Mrs Y. O'Neill: You will not answer the question.

Mr Mammoliti: On a point of privilege, Mr Chairman: I just want to state for the record that my comments were addressed to workplace stress and workers and I—

The Chair: Order. That is not a point of privilege.

Mr Mammoliti: What is it then?

Mr Mahoney: It is not a even a point of interest.

The Chair: It is an opinion. It is a point of information. Order, please. That is a point of information, Mr Mammoliti.

Thank you very much for coming before us today. Your brief was quite interesting and we appreciate your taking the time to appear before the committee.

PARKDALE TENANTS' ASSOCIATION

The Chair: The next organization to address the committee is the Parkdale Tenants' Association, so we would ask that organization to please come forward. You have been allocated 40 minutes; 20 minutes can be used for your presentation to the committee and a further 20 for questioning. We would ask that you state your name for

the record and any position you hold in any organization. The floor is yours.

Ms McCabe: My name is Penny McCabe, I am the past chairperson of the Parkdale Tenants' Association.

Ms Lee: I am Jeanie Lee and I am a member of the Parkdale Tenants' Association.

Ms McCabe: The Parkdale Tenants' Association is the oldest area tenants' association active in Canada. Founded in 1970 to respond to the pressures on the large tenant population in the area of the former village of Parkdale, which is in the west end of Toronto, our membership is made up of tenants whose homes are large apartment buildings, flats in divided houses and rooms in both legal and illegal rooming houses. Our mandate is to help tenants in the area get organized in order to better defend their rights, to lobby for better rights, and to represent the opinion of tenants in the area in order to ensure that they are considered as full members of the community by different levels of government.

In general meetings of the Parkdale Tenants' Association, which have an average attendance of between 150 and 200 tenants, since the summer of 1986 when Bill 51 was introduced the tenants of Parkdale have unanimously condemned the Residential Rent Regulation Act. The condemnation has come from having seen the rents they pay for their homes rise astronomically while seeing maintenance and other services decline at a similar rate. Thus the PTA welcomes the freeze imposed by Bill 4.

We believe that strong measures are absolutely necessary now in order to protect access to affordable housing by the vast majority of tenants in the province of Ontario. The existing system of rent review has proven to be extremely prejudicial to tenants and has served the single purpose of enriching landlords. The freeze on residential rents is the only measure that can benefit tenants in the short term while a permanent solution is being worked out.

The statistical record of the 1980s is a shocking story of the total failure of the private market, heavily subsidized and assisted by the variety of regulatory legislation, to deliver up-to-standard affordable housing to tenants.

Since 1980 the average market rents have increased faster than the rate of inflation. The bulk of this increase has occurred since 1984. The Social Planning Council of Metropolitan Toronto estimates that between 1980 and 1986, the cost of living has increased by 49% while the cost of renting an apartment in the same period has increased by 61%. The statistics also clearly indicate that the poor are paying more for shelter in 1989 as a percentage of their income than at any time in recent memory. Since 1975, rental cost increases have outpaced increases in income by 11%.

Simply citing statistics such as these provides only a glimpse of the real crisis tenants are facing every day in order to cope with exorbitant housing costs. As housing costs eat up a bigger and bigger percentage of income, more and more tenants are forced to turn to food banks and charities to get by and to cut corners in terms of health care and the educational needs of their children and themselves.

In Parkdale this has meant the establishment of food banks at our churches and drop-in centres, food banks that cannot keep up with the demand for services. One food bank at a parent-child drop-in centre this fall had to close its doors for a number of weeks because there was not enough food. At another food bank the lineup begins three hours before the stores open, even in the coldest weather. Parkdale has even seen the establishment of a special restaurant, St Francis Table, where people can get a served meal for \$1. The food banks and the restaurant are band-aids that cover up the bleeding and do not quite stop it.

In Ontario the Canada Mortgage and Housing Corp estimates that 254,000 rental households are currently in core need; that is, they cannot afford adequate suitable rental accommodation without paying more than 30% of their income on rent. In 1987 the report of the Minister's Advisory Committee on the International Year of Shelter for the Homeless stated that the increase in the numbers of homelessness and those households in core need in the past decade has been huge and that in Ontario 25.2% of all renters are in core need. This figure is believed to be much higher in Parkdale.

It is distressing to hear the landlord lobby talk about wealthy tenants who can afford their own houses but find it cheaper to live in rent-controlled apartments. That is not true of our community. Rather, the more typical story is that of Jane, a single mother with two children who has a total income of \$1,125 a month and whose rent eats up all but \$75 of that income. Because of her enterprising nature, the children are not suffering from malnutrition but there is no money for extras such as school trips or brand-new clothes.

The 1980s has been a decade of record increases in rent, with landlords receiving the highest rents ever per rental unit, particularly in the large urban centres such as Toronto. Despite the record level of rent received by landlords, the number of rental households requiring major repairs has fallen only 2.4% between 1982 and 1987. This decline is not the result of reinvestment on the part of the landlords of a portion of the enormous surpluses they have been collecting. This drop is evidence of the effect of the decline in the supply of low-rent housing, which has typically been physically inadequate housing during the past decade.

The 1970s and 1980s have witnessed the influx of people into the city rather than the suburbs and the consequence has been the conversion of single-room occupancy units into single-family dwellings. The truth here is that landlords have not reinvested significantly in the repair and upkeep of rental units and that the supply of low-rent units has fallen markedly. Hence, tenants at the end of the 1980s have hardly advanced at all. They are paying more than they ever did collectively for substandard housing as the supply of that form of housing declines. The best a tenant can hope for when housing is a commodity is poor accommodation at a higher cost.

The situation in Parkdale follows the above trends and is perhaps even worse. In the heart of Toronto, Parkdale has traditionally been a low-income community. Old, run-down high-rises and rooming houses have been a refuge

for many tenants over the years from the escalating rents associated with the city. That there can continue to be a place for tenants in Parkdale is a question that every tenant is asking himself now. The total failure of the existing rent review legislation and the reconversion of older buildings to single-family dwellings have put intolerable pressure on the low-income tenants in Parkdale.

The capital expenditures done under the Residential Rent Regulation Act, the cost of which has been passed on to tenants, often did not deal with the basic maintenance problems that the tenants needed to live in safe accommodation but were items that made the building look better. A particularly horrendous example of this is a building at the corner of Queen and Jameson. In this building, tenants paid a rent increase to cover the cost of a video camera security system. Before the year was out, an elderly woman was found raped and murdered in the stairwell. This, of course, is an extreme case. Much more normal has been to see new windows, balconies and lobbies in buildings where the tenants want their faucets fixed and holes in the walls filled.

Jeanie, who is beside me, has a story of how renovations of this type have affected her building. I wish I could say it was an exceptional story, but unfortunately it is quite average.

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Ms Lee: I live in Parkdale, in a property that consists of two three-storey apartment buildings of one-bedroom units. Since 1987 these buildings have undergone three rent review applications three years in a row. I and my fellow tenants endured massive renovations in 1988 that had very little to do with maintenance and everything to do with making money. I believe what happened in these buildings I live in is a direct result of the extremely unfair, poorly conceived and poorly drafted Residential Rent Regulation Act of 1986.

What happened in these buildings is not unusual for Parkdale. On my street alone, seven buildings ranging from three to seven storeys have undergone extensive renovations and, ostensibly, extensive rent increases. Throughout Parkdale, there are an additional 15 to 17 apartment buildings ranging from 3 to 10 storeys that have also undergone these massive renovations. These are only the buildings I know about.

I want to outline to this committee just how the present rent regulation act has singlehandedly raised the rents in the buildings I live in an average of \$200 to \$250 per month within three years and disrupted the lives of tenants, a disruption that continues to this day. First of all is the financial loss pass-through of the current act. This provision encourages speculation and shifts the burden of risk in rental property investment from the investor on to tenants. To illustrate this, I will use the building that I live in.

This property was sold for the first time in January 1987 for approximately \$700,000. Within two months it was sold to the present owners for \$1.2 million. Anyone looking into the average rents of \$350 per month in a 38-unit building would realize that the rents just do not support a mortgage of over \$1 million. Nevertheless, our

landlord bought the property, anticipating correctly that rents could be increased to pay for his huge mortgage. As a result, rents were increased 12% the first year and we still do not know how much for the following years, since it is still under appeal. In short, the \$500,000 in profit given to the first buyer had to come from somewhere. The Residential Rent Regulation Act allowed it to come from tenants.

Second is the capital cost allowance. The resale value of rental property largely depends on the amount of revenue it generates. The act does not authorize rent review administrators to determine whether or not expenditures spent on a building are legitimate or not. In effect, the more money a landlord spends, the more costs can be passed to tenants, the higher the rent increases, the higher the resale value of the property. In 1988, approximately \$340,000 in capital expenditures were spent in the buildings I live in. The renovations lasted six months. Kitchen cabinets were replaced, kitchen sinks, all faucets, toilets, windows, electrical wires were moved for no apparent reason, fuse boxes were replaced, the plumbing was overhauled. Very few of the items replaced were faulty or needed replacing. The one item that desperately needed replacing was the roof, which for some reason was completely ignored. This roof now leaks and has been damaging ceilings and walls for the past year. The landlord has done nothing about it because he has spent all his money.

Because of the scale of the work, tenants quite literally lived in a construction site for six months. Workmen came in and out of apartments at will several times a day from 8:30 to 5, five days a week, for six months. Garbage, debris, materials and tools littered the hallways, apartments and lawn. Some units were used for storage of windows for weeks at a time. Tenants' furniture and belongings were shoved aside without care. There were not drop sheets. Tenants' belongings were not protected. Some units were left without a functioning toilet for more than one day. We lived with five-foot by six-foot holes in the walls and ceilings for months, holes from which we could see into the bedrooms and washrooms of units above or below us. Tenants got sick from the debris, dust and gas fumes that filtered from the underground garage through improperly sealed holes.

There was little cleanup in the apartments at the end of each day. One elderly tenant severely sprained her ankle while reaching to clean dirt off her walls. Retired tenants and tenants working night shifts just simply had no place to go during the day and had to suffer through this work eight hours a day for the whole of the six months. One tenant who worked a night shift and had been subjected to several days of renovations decided that just for one day he needed to sleep and refused entry. The workers were not deterred and instead went to the adjoining apartment to smash a hole through his kitchen wall.

Tenants who complained, who tried to protect their right to 24-hour notices and to gain some protection for their property were harassed, told to stay in their apartments and intimidated with eviction. In the course of those six months and the months afterwards, the landlord initiated at least five eviction proceedings. He was successful with none of them.

Third is the 7.5% management allowance that the legislation allows landlords to claim on capital expenditures. This allowance encourages and rewards inexperienced landlords to manage large and complicated renovations, to the detriment of the building and to tenants' lives. Seven and a half per cent of \$340,000 is a lot of money, and to gain that my landlord, who had no experience in supervising contractors or major electrical and plumbing work, declared himself the general contractor. As a result, the work, which was to last a few weeks at the most, lasted a few months.

The work was disorganized and totally unpredictable. Work went on that violated safety standards. Windows were removed by literally throwing them out of the windows from as high as the third floor and smashing them on to the lawn below. Shattered glass was strewn about the apartments. This was reported to the Ministry of Labour. The common hallways were used as storage, which violated fire regulations. This was reported to the fire department. A fire broke out in a unit due to improper use of a blowtorch. The tenant, as a result, had to spend the night in a hotel. Sparks from a Skilsaw were allowed to fly near inflammable material. The tenant in that unit had to tell the worker of the danger.

Holes were open in ceilings for no apparent reason. There were continuous leaks from improperly installed plumbing. Unskilled and casual labourers were employed who were hired and fired from day to day. There was little or no quality control on the work done. Tenants themselves had to monitor the work to ensure that it was up to the building code. Front doors were left open, as well as doors of individual units throughout the day. There was uncontrolled access to apartment keys. Workers admitted to taking keys home at the end of each day. Since these renovations, there have been three robberies at this property. With each of these, there has been no evidence of break-in.

Fourth is the phase-in allowance, which allows costs that have been passed on in one year to be carried over to subsequent years without having to go through the rent review process. In other words, if the costs of one year were so excessive that one rent increase above the guideline was not enough to cover the amount, landlords are allowed automatic rent increases above the guideline for an indefinite number of years to come. This provision of the rent regulation act encourages and rewards property investors to spend as much money as possible in as little time as possible. There is a large financial incentive to launch large-scale, extremely disruptive and expensive renovations regardless of need. In short, it is lucrative to turn tenants' homes into construction sites. On the other hand, the legislation gives no incentive for, nor does it enforce, ongoing maintenance once all the money has been spent.

As a result of our six-months' renovations we have had to pay a 27% increase for 1988. Our landlord was also granted a phase-in amount, which means that if there is no moratorium on rent increases, we have no idea what rent increase above the guideline the landlord will be granted next year and for the years to come. The only certainty we have is that our rents will continue to go up and up above the guideline year after year.

The rent regulation act does allow tenants to oppose a rent review application, but the complexity of the act and the many regulations that govern the rent review process is incomprehensible to most tenants. You really have to be a lawyer, chartered accountant and detective to understand and argue against a rent review application. Aside from legal aid clinics and overburdened tenant associations, there is really little support for tenants. While the Ministry of Housing gives out detailed brochures on how to file cost revenue statements, there is very little literature available on how to go about rebutting a rent review application. While landlords are allowed to pass on the cost of hiring consultants to tenants, tenants have to pay for just getting a copy of the landlord's rent review application. All this inhibits tenants from participating in the rent review process—except of course to be at the receiving end—and participation is crucial.

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In our case, because we scrutinized our landlord's application, we found that a bill for \$60,000 was invalid and discovered errors made by rent review administrators that could amount to thousands of dollars. We also had rent increases reduced by making a presentation at the rent review board level. This aspect of the rent review process is especially damaging to Parkdale tenants, many of whom are single mothers, labourers, elderly, immigrants or people of low income who just do not have the inclination, the education, the time, the resources or the language skills to fight a rent increase.

In closing, I just wish to impress upon this committee that the present act not only costs tenants in financial terms but in other terms as well. I cannot begin to tell you the emotional stress we experienced as our rights to quiet enjoyment, 24-hour notice, privacy, and our expectation of responsible workmanship were simply ignored. I cannot begin to tell you the level of anger, frustration and helplessness we felt as we saw money being poured uselessly into these buildings, knowing that in the end we would have to pay for it. I cannot begin to tell you the fatigue we felt as we came home—

The Chair: Order, please. I have given you extra time and I have to draw your attention to the clock. The rotation this time will be NDP, Liberal and Progressive Conservative.

Mr Mammoliti: I just want to note that this is another tenant organization that has come in front of us that is crying for some help and giving examples such as you have given, and we appreciate it. It is obvious that you have done your homework and that you know what you are talking about.

There is one item, however, that I want to clarify and perhaps you can elaborate on it. That is on the second page, the second paragraph. You say: "The statistics also clearly indicate that the poor are paying more for shelter in 1989 as a percentage of their income than at any other time in recent memory. Since 1975, rental cost increases have outpaced increases in income by 11%." Can you elaborate for us on that particular statement?

Ms McCabe: They are Social Planning Council statistics. I do not remember the name of the report—I can get

that to you if you wish—but I think it sort of fits with what we are seeing in our community, the people who come to us who are saying, "I have \$50 left over at the beginning of the month after I have paid my rent, and that is what I have to live on this month." Again, the lineups at the food banks, the fact that the food banks are actually having to close down because they have no food to give out.

You have to realize that this is not impacting just on the tenants in our community, it is also impacting on the merchants in our community. We have had more businesses close down in the past year—and I will say in the past year we have had the greatest number of rent review decisions come out in our community; backlogs of two and three years suddenly hit the tenants—than at any other time in the history of Parkdale. We are talking small grocers, we are talking small clothing stores, we are talking very small businessmen who are really seriously hurting.

The Chair: I am going to ask you to keep your answers short because there are three people on the list. If you do not mind, I would like to move right along. Mr Duignan, Ms Harrington, Mr Abel.

Mr Duignan: Thank you for coming here this morning. I will just ask a couple of questions. One of the effects of Bill 4 will be that the speculators who are in the rental business to make short-term money will basically be driven out. Do you believe that is a bad thing for tenants?

Ms McCabe: We at Parkdale Tenants' Association are very clear that we do not believe speculation should be part of the rental housing market. These are our homes. This is not the Toronto Stock Exchange we are talking about. If you want to go speculate, then my suggestion—and I think I would be speaking for most Parkdale tenants—is, "Go speculate on the stock exchange, not with our homes."

Ms Harrington: In your presentation, you made very clear the kind of situation you are living in. One of the statements made there is: "We are a proud, multicultural, multi-ethnic, working-class community. We are not looking for handouts." In our discussions in the last week, that idea of how much government money goes where has been part of this discussion. I would like to take what you said one step further. These people want to be proud, they want to be independent, they want to have a decent life and they are not asking for a lot. They are asking for a fair deal in housing, and that is what we want in Ontario. I think that is why you saw this government move so quickly after the election to say, "We have to reassess this whole situation and we have to look for a much better way of dealing with housing." What you are saying, that housing is not the Toronto Stock Exchange, is a whole change in philosophy that we have to very carefully think through on all sides.

I just want to go one step further in our thoughts over the past week and put this suggestion forward to the people on the committee. Many of us, the middle class, the upper class, in buying our own homes have much greater subsidy than the poor do. This is something you do not obviously see at the beginning, but the amount one makes over the past 10, 15 or 20 years on your home is tax free. You get a \$100,000 capital gain, and that is a huge bonus.

In many other small ways, the government supplements or gives advantage to the middle class in housing, and I think we have to look at the big picture.

Thank you very much for coming. I also thank you, Penny, for that little tour of Parkdale last week.

Mr Mahoney: Thank you for your presentation. Obviously, you have lived through some rather traumatic experiences in your community, but I guess I am a little lost as to how Bill 4 is going to solve those. Maybe you can help me. First, I think the goal of the government is to move towards a green paper which will be dealt with some time in the not-too-distant future, hopefully to establish a comprehensive housing policy that deals with the provision of social housing, the provision of affordable housing in co-operation with the municipalities on a percentage basis. Some of the things we actually tried to implement may reappear in that green paper, I do not know.

I am just curious how Bill 4 provides any incentive to your landlord in the case of the building that was just used; perhaps that is not a good example, but it is the one you have brought forward, so I will deal with it. Do you think that, all of a sudden, they are going to start solving these problems as a result of Bill 4?

Ms Lee: I think a new act has to be in place to solve these problems. However, I just want to emphasize that the present act encourages the kind of experiences I have gone through and makes it profitable. I guess the reason I came here today is to impress upon you that what my landlord did is not illegal. He only applied and implemented what the regulation allowed.

Mr Mahoney: My point, though, because I do not think you answered it from the point of view I want to get to here—I certainly do not intend to badger you—is that we have a bill that has been put forward as panacea to a number of problems. In your own presentation, you refer to the tragedy of an elderly woman being raped and murdered in a stairwell, obviously a disgusting and unacceptable situation in this city and this province, and many other examples of irresponsible contractors, landlords, terrible treatment of tenants, etc. I do not dispute any of those occurrences or instances and I do not dispute or argue with you about the lack of acceptability.

1110

What I am asking—let me give it to you in two parts—is how Bill 4 in any way resolves any of those problems that have been enunciated by you today. The second part of the question is, would we not be better to forget about Bill 4 and look for real solutions to the problems you have outlined and get right into a green paper, get right into a comprehensive strategy discussion in this committee, instead of just wasting time on what amounts to pure politics, with respect to the government, in attempting to say to people: “We’re wonderful. We’re the newly elected government and we’re dealing with this”? I have read the bill and I do not understand how it solves your problems.

Ms Lee: I think it solves it by removing the financial incentive to do what they have done.

Ms McCabe: Many of these problems are not going to be solved. Unfortunately, I did not get to it. Bill 4 is not

the be-all and end-all, but maybe it is going to give pause and give us as a community a chance to take a deep breath and say, “Okay, now we can start thinking about what’s going to happen in the long run.” That is what we are hoping for, because at the moment we are running around putting out fires.

Mr Mahoney: You made some valid points about the complexity of dealing with rent review, and of course we as MPPs and our staff have had to try to wade our way through those complexities as well. If you read the bill, I find it just as complex. It does not address the types of problems tenants are talking about in the provision of affordable housing and shelter. We use the term “housing” when in many cases we should be using the term “shelter.”

When you read through this and get to the extraordinary costs, the refinancing costs, the interest costs that will be acceptable to be passed on to the tenant as part of a rent increase to be set by the minister under this legislation, rather than having any kind of independence or any kind of opportunity for an unbiased, non-political, non-philosophical review of the situation, I see nothing here that would give—you used the term “incentive.” If I accept the fact, and I do not, that the current legislation creates an incentive for someone to do what they have done to your building, I find it difficult to understand where the incentive would be under Bill 4 for them to change; obviously we, I, my party, and I am sure all parties, want that change to take place. Where is the incentive under this legislation and why do we not get on with the job of establishing a policy?

Ms McCabe: What I would say is that the incentive is already very obvious to us. On the day the bill was announced, we saw a landlord pulling his crews out of a building in our community who were in the middle of a renovation. The incentive is to stop unnecessary renovations, because they no longer will be able to pass on the capital costs. I think the landlords have demonstrated that very suitably in their ads in the paper.

What we would very much prefer and, I will be very honest, what I am hearing from the tenants is, “Let’s stop all rent increases for the next two years.” That is what the tenants need to even start to catch up to the amount of disposable income they have lost. In our community that is what they need.

Mr Mahoney: I could use that myself, by the way, and stopping all cost-of-living increases.

Mr Tilson: You just touched on what is probably our party’s main objection to the legislation. With this legislation and the legislation before it, when you specified specific rent increases for the two years, that in fact the rich get richer and the poor get poorer, the benefit of rent controls, when you look at it, proportionally goes more to well-off tenants than to poor tenants. In other words, there are a number of wealthy tenants out there who are really ripping off the system. This legislation allows them to rip off the system even more, and this legislation creates even more hardships for tenants. That is why our party is opposed to it, because it is not fair. It does not solve the real problem.

Ms Lee has described situations, and we have had other people describe similar situations. There are terrible, terrible things being done to tenants out there, and they cannot afford it. They cannot afford what is going on and their quality of life is decreasing. That is what the previous legislation has done, and this legislation is perpetuating that.

It has been suggested to me in writing by different individuals, not so much at these hearings but somewhat, that to prevent this unfairness, which is what this legislation is doing, the government should really be targeting financial assistance to these tenants as opposed to allowing wealthy tenants to rip off the system. I guess that is my question to you.

Ms McCabe: "Do you want your mortgage subsidized?" would be my question.

Mr Tilson: But that was not my question. We have wealthy tenants ripping off the system. How do we stop that? Do we perpetuate it by allowing the rent increases to continue? What do we do, as opposed to the real problem where we have these people who cannot even afford to pay any rent? You said it yourself. Many people cannot afford to pay any rent. The percentage incomes are not going up and they are in dire straits. Bill 4 is perpetuating that problem.

Specifically, should government, as opposed to doing what Bill 4 is doing—I am not saying I advocate it; I would like to hear your response—get into more financial assistance to these people who are really in deep trouble, with the deep social problems you have spoken of?

Ms McCabe: We already have a number of rent-geared-to-income subsidized units, and they are not solving the problems in our community. They are in private buildings and those private buildings are disgracefully maintained.

Mr Tilson: That is not what I said. I am talking about—

Ms McCabe: The other thing I will say is that I do not want to have to go and beg for a subsidy. I want fair—

Mr Tilson: Will you allow the wealthy tenants to continue getting wealthier?

Ms McCabe: They are not an issue in our community.

Mr Tilson: But they are an issue across the province. They are an issue in the city of Toronto.

Ms McCabe: I am here to speak for my community.

Ms Lee: Are there statistics for how many wealthy tenants are ripping off other tenants?

Mr Tilson: I am just looking at the situation of tenants who are paying a certain rent compared to their income. Clearly, if you look at those percentage increases, their incomes are increasing not in proportion to what they are paying for rent, as opposed to other tenants who are paying a large percentage of their income for rent and cannot afford to do that. This legislation perpetuates that. If you do not have an answer, I understand. That is why I am opposing the legislation, because the legislation does not solve that problem.

Let's move on to another area. My question is to Ms Lee. You have described some terrible situations in your

apartment in reconstruction. I guess I am getting to the same line of questioning of Mr Mahoney; that is, that clearly someone out there—the landlords or others—is breaking the law. Did you pursue these matters with the police or the Ministry of Labour? I think you also indicated the fire department; I do not know whether you mentioned the health department. Did you pursue it with any of these ministries or organizations?

Ms Lee: Oh, yes. We have had numerous meetings with the landlord, with our alderman—our MPP did not respond—with building inspectors and with Ministry of Housing officials. It just did not seem to do anything.

Mr Tilson: With respect to the municipal inspection authorities, the way you have described it, in my view the municipal property standards bylaw has been blatantly violated. Did your organization assist tenants in proceeding to ask that the municipal property standards bylaw be enforced?

Ms Lee: I did not ask the tenants' association at the time, but our building had its own association and we did hold several meetings with Mr Jennings, who is the manager of building inspections, with the landlord and with the contractors I think at least three times in the course of these renovations. For some reason we just could not seem to enforce proper work.

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Mr Tilson: Did you formally make an application under the property standards bylaw to ask that the property standards bylaw be enforced, or did you simply meet with some of the municipal authorities?

Ms Lee: We met with them. I suppose we had the naïveté to think they could do something. What eventually happened was that we refused entry and were brought into court, and we made a settlement that they had to complete the work within one week using all the responsible workmanship one would expect. They did do that, but it took that measure.

Mr Tilson: I would recommend—

The Chair: Sorry, Mr Tilson, your time has expired. We want to thank the organization for coming before the committee today.

Ms McCabe: Thank you for hearing us.

860 PHARMACY AVENUE APARTMENTS

The Chair: The next delegation is 860 Pharmacy Avenue Apartments, Andrew Zarnett. You have been allocated 20 minutes: 10 minutes for your oral presentation and some time for questions. I would like you to identify yourself for the record and who you are representing.

Mr Zarnett: You might have to bear with me. I have not had much experience at making speeches before.

The Chair: Just take your time. This is a very informal committee. We are here to listen to what you have to tell us.

Mr Zarnett: My name is Andrew Zarnett, and I am representing 860 Pharmacy. I am here today representing my father and my mother who you, by your actions, have

financially threatened with the introduction of Bill 4. Let me explain.

On 28 November 1990, your Housing minister, David Cooke, introduced legislation that will prohibit rental increases for most residential rental units in Ontario to no more than 4.6% in 1990 and 5.4% in 1991, without regard for circumstance or quite simply ethics, the basic principles of honour and morality, the accepted rules of conduct. I come before you to appeal to you that in my parents' particular situation this is unfair and unjust. The financial effects to my parents will be devastating.

On 15 January 1990 my father's company, Grand Mile Holdings Ltd, with regard to our building at 860 Pharmacy Avenue, a 30-unit, 40-year-old building, received a conditional order under section 89 of the Residential Rent Regulation Act which states that:

"In an application under subsection (1), the minister shall consider the proposed capital expenditure and shall by order declare the amount that will be allowed in respect of the expenditure in a subsequent application made under subsection 74(1) (whole building review) or subsection 86(1) (part building review), and where on the subsequent application the actual expenditure is substantially higher or lower than the projected expenditure the amounts allowed shall be decreased or increased proportionately."

Throughout the process of gaining government approval, the tenants had ample opportunity to be heard and were heard in full. You will see that this order, and I have attached a copy of the order for all to peruse, clearly declared by the Rent Review Hearings Board, an institution created by the government of Ontario under RRRRA, the amount that will be allowed in respect of the expenditure in a subsequent application, was signed and dated by the minister's representative, Marijana Brala, member of the Rent Review Hearings Board. This was and continues to this day to be a binding agreement between my father's company and the government of Ontario.

A short time after receiving the order, we took the steps to make the necessary capital expenditures to the building, which included kitchen renovations, washroom renovations, appliances, new gas-fired burners, installing new windows, pavement repairs, parking lot lighting, painting, parquet floor repairs and removing milkboxes. We did the work with due diligence and complete co-operation from the tenants. Since I was responsible for the renovations, I can tell you that an active communications program with all tenants was initiated and followed. Over 10 newsletters were issued over the six months of renovations. That is not all. I worked closely with every tenant to determine the capital repairs that were needed for each unit. Co-operation and customer service prevailed. Everyone who wanted a kitchen got a new kitchen; those who did not, did not. The work was 90% completed by the end of July.

On Friday 30 November 1990, we found out that we would not be allowed the increase previously approved by the government because the new legislation disallows it, since our first effective date of increase is after 1 October 1990. That weekend and the weeks that have followed have not been restful ones for my parents, who have worked hard in this country. Over 30 years ago, my parents

purchased the apartment building and, like everything they do, stuck with it. There was no flipping here.

My parents are careful people. All their savings have been gained through, plain and simply, hard work. And like all their past actions, they went about renovating the apartment building with the same cautiousness. That took them the route of the conditional order—"Get an order that says what will be allowed, do the work, come back to us and we will allow it."—and now you are changing the rules, after my parents have followed them, made financial commitments and spent approximately \$385,000.

It should be emphasized that these moneys were financed via the Royal Bank of Canada through a type of financing which it refers to as interim construction lending, which is paid out through permanent financing first mortgages. In providing the moneys to renovate the project, the bank clearly relied on the conditional order issued by the Rent Review Hearings Board pursuant to section 89 of the act. The bank relied on the conditional order and upon the projected revenue of the building.

Without the conditional order gained under section 89 of the act, neither would the bank have advanced us the funds nor would we have carried out the capital improvements. The improvements would not have been undertaken if the law had not provided for the recovery of those capital expenditures from an increase in revenue. We, alongside our bankers, in doing the work, relied explicitly on the state of the law as it then was and relied on the conditional order issued by the government of Ontario. If we did not have the conditional order assuring us of the rent increase, we would not have done the work, because we could not have afforded the cost of renovations.

If Bill 4 moves forward as is and my parents are not able to increase the rents, they will be ruined. The bank and the mortgage companies have said they will not finance the additional \$385,000 unless the rents go through as per the conditional order. For my father, this will mean selling the building in a depressed market at a loss or possible bankruptcy.

All governments clearly have the right to change their minds, to change their policies and to change the direction they will follow, but no government has the right to be unfair. The proposed legislation is retroactive and the general rule is that retroactivity is wrong and unfair. In this case, not only was there no timely prior notice, there was a prior promise by the then Minister of Housing that the rent increases would be accepted if my parents completed the work. The law has been said to rest upon an implicit social contract between the state and the citizen. We enter a new Dark Age of mutual distrust if the contract is shattered not by the actions of an individual but by the arbitrary actions of the state itself.

In the words of my mother, who quite frankly has been shattered by the whole event: "Is it just to punish and economically destroy people who got a written and signed order by their elected government? Do you think it is morally fair to punish and ruin people whose only crime was to follow the law of their province? If you can allow such an injustice, then I have lost faith in our democratic

government in this province and find myself with a very heavy heart."

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For an activity which is lawful at the time it is carried out and for which activity my parents relied explicitly upon the then existing legislation, regulations and representations from government officials, to be made unlawful by the stroke of a pen in a retroactive clause in a piece of legislation is quite frankly immoral, unethical, shameful and totally unacceptable.

Ladies and gentlemen of the committee, I appeal to you to do what is fair and allow those who complied with the act, the rules of the day, to be treated under that act and, in that regard, amend Bill 4 to exempt those parties who were granted conditional orders under section 89. On behalf of my parents and myself, thank you very much for the time in allowing me an opportunity to explain these circumstances before your committee today.

Mr Mahoney: I almost feel I do not need to ask a question actually. It was such a really eloquent presentation and obviously a very emotional situation for you and your mom and dad.

First of all, let me tell you that our party strongly supports your request and we will be attempting to deal with an amendment along those lines. Whether or not we can convince the majority members of the government to really listen to your appeal and to recognize your situation—which is not the only one in the province, as I am sure you know—remains to be seen, but we are going to attempt to fight in whatever way we can to try to have this injustice corrected.

Can you tell me a little bit briefly of the history of the repairs or the renovations were done? You obviously had the co-operation of the tenants, but is the building falling apart or what?

Mr Zarnett: The building is 40 years old and regular maintenance has been followed over the time that my parents have owned the building and even some capital expenditures were done, but with rents the way they were set, a person can only do so much. In 1982 \$30,000 was spent to redo the roof. In today's dollars that is probably \$60,000. In 1984 the front of the building had extreme damage from the sun and the wear and tear over the years and you could not let it go.

My father does take very good care of his properties. A principle of his is longevity. He has stuck with this building for 35 years, has been in the same house for many years, has been married to the same woman for 30 years and he believes in that principle and he believes in doing the best. He has been taking care of his building on an ongoing basis.

Mr Mahoney: Are your mother and dad wealthy?

Mr Zarnett: They are well off, but this will ruin them. I mean, where can a person come up with \$385,000, money that they were supposed to get through rent increases? The mortgage companies have said they will not finance it unless the conditional order goes through, because there are no funds in the building.

Mr Brown: I would like you to know, if you have not been following these hearings carefully, that you are certainly not the only person in this province in this situation. We have had a number of people come before this committee and we know there are many more who will not have the opportunity to come before this hearing because this government has not provided enough time for people to come before this committee.

I really do not have a question. I just want to assure you that, as Mr Mahoney said, we find this the most regressive, draconian part of this legislation and we will work our hardest to see that the government takes some steps to rectify this. I would ask the government members to make some indication they will entertain that kind of amendment.

Mr Zarnett: I appreciate that.

Mr Turnbull: During all of these submissions we have heard some very heart-tugging submissions from both tenants and landlords. I have always believed that two wrongs do not make a right. There is no doubt about it that we were warned during the election, when you read An Agenda for People, that the NDP intended to move with very aggressive rent control legislation. However, I do not think anybody in his wildest dream could have conceived of this type of legislation that is retroactive in its working. It goes to the fundamental rule of law and how you can rely on government if you comply with the law in every respect.

I am delighted to see that the Liberals seem to be coming along in our direction now, although I will point out that they voted for it on second reading. Be that as it may, I think they seem to have seen the error of their ways now.

In terms of this retroactivity, let's just talk about your particular instance. Is there any of the work that you did that would be considered of a luxury nature?

Mr Zarnett: Absolutely not.

Mr Turnbull: Can you say that there was any intent of working the system?

Mr Zarnett: Not at all. My father found out that you could get rent increases if you did capital improvements to your property, went to the professionals for advice, because a small landlord, believe you me, does not know. The law is so complicated, they have to go and rely on people.

Mr Turnbull: Because time is so limited, let me move on. Do you think it would be reasonable, if the NDP wanted to move forward with this legislation, if it were to take out the retroactive aspect of it? Is that something which you can conceive of as being more reasonable?

Mr Zarnett: The best way I can answer that is to read this again:

"All governments clearly have the right to change their minds, to change their policies and to change the direction they will follow, but no government has the right to be unfair. The proposed legislation is retroactive and the general rule is that retroactivity is wrong and unfair. In this case, not only was there no timely prior notice, there was a prior promise by the then Minister of Housing that the rent increases would be accepted if my parents completed the

work. The law has been said to rest upon an implicit social contract between the state and the citizen. We enter a new Dark Age...."

Mr Turnbull: I am sorry, I do not want to seem as if I am cutting you off. It is just that time is so limited. Would your parents, in the present climate, in view of this legislation, conceive of investing any other money in Ontario, if they had it, if they are not completely wiped out?

Mr Zarnett: Absolutely not.

The Chair: Ms Harrington, Mrs Ward, Mr Mammoliti, Mr Abel. I do not know how we are going to get four on in three minutes.

Ms Harrington: I would just note that when you say no government has the right to be unfair, certainly you may agree with me that there has been a lot of unfairness going on in the history of this province. All I want to assure you personally is that we will give every consideration to your situation. We will be looking at your case in some detail. I thank you for coming.

Ms M. Ward: I have a question regarding the statement on page 3. I wanted to ask about the financing. You say the money is refinanced by a type of financing which they refer to as interim construction lending, which is paid out through permanent financing first mortgages. Are you basically saying that this is a first mortgage on the building? I understand your parents have owned it for over 30 years.

Mr Zarnett: When you go and do capital improvements, you go to the bank and you ask it for moneys to do the project. You do not exactly know what the final costs will be.

Ms M. Ward: Is it a mortgage? That is my question.

Mr Zarnett: It is a bank loan right now and it has to be paid out. Interim construction lending is a bank loan. It is paid out through a mortgage, but the mortgage companies have said: "We cannot give you a first mortgage because there is not enough net rental income in the building to support financing such a mortgage. So you are stuck with the \$385,000. You better find a way to pay that on your own."

Like I said, economic ruin and financial disaster for my parents is imminent unless support is forthcoming from your government to reverse the retroactivity of this law.

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Ms M. Ward: I do not want to take too long. Two other people have questions. I will leave that there and give the other people time to ask questions.

Mr Mammoliti: Mr Mahoney and Mr Brown gave you the assurance that they will do everything to get Bill 4 changed for you. I just want to remind you that they voted for the bill as well. I think that is important.

Mr Zarnett: I am looking for your assurances.

Mr Mammoliti: The question I have for you is this: Are you aware that there are thousands of people being forced out because of high rents and being forced to shelter homes and food banks?

Mr Zarnett: I agree that the law needs to be changed, but the retroactivity of this law is grossly unfair. It is immoral, it is unethical, it is shameful and it is totally unacceptable, like I said.

Mr Mammoliti: But you are aware that there are thousands—

The Chair: Order. Thank you. Mr Abel.

Mr Abel: I can certainly sympathize with the situation you find yourself in, and any other landlords. I agree with what Ms Harrington has said, that we should look into those matters and give it some consideration, but I do have some questions, some issues that you brought up in your presentation.

The Chair: You have time for one question.

Mr Abel: Did the tenants oppose the renovations? Did any tenants oppose that?

Mr Zarnett: I think there was one tenant who opposed certain renovations, but when we went—

Mr Abel: When you applied for the conditional rent increase, did they appeal? Let's put it that way. Did they appeal your conditional order?

Mr Zarnett: The one tenant did.

Mr Abel: There was some opposition.

Mr Zarnett: As I might say, when the work was done, I went around to every single apartment and asked the tenants what needed to be repaired. If the tenant said he did not need a new kitchen, we left it at that. If a tenant said, "Yes, I definitely need a new kitchen," we did it for him.

Mr Abel: Okay.

Mr Zarnett: Please. We did the same thing with faucets, shower controls.

Mr Abel: I get your point. I just wanted to know how much of an increase would that impose on the tenants.

The Chair: Order. Mr Abel, I am sorry. I wish I could give everybody more time. I am following the rules of the committee.

Thank you for coming before us. We appreciate the information you have left with the committee. I think you have heard that everyone is going to consider the situation that you brought forward.

Mr Zarnett: One last question. Maybe you can explain to me the procedure of the committee from here towards its completion and how that works so that we all have a better idea of that.

The Chair: My understanding is that the committee is going to continue hearings and also have discussions on a green paper or a consultation paper which will be tabled by the government soon. We will have further discussions of maybe a similar or of a different nature on that. Then this bill will receive clause-by-clause study, which means the committee members at that time will go over each and every section of the bill. At that time, they can make amendments to the bill.

When we have finished that process, the committee will report the bill to the Legislature when we reconvene, when we have finished our process, and then the Legislature

will in fact redo the process of clause-by-clause approval of the bill in the Legislature, probably this spring. Amendments can at that time be put again and voted on again until we have completed that process. Then the bill will be put forward for final and third reading, for final and third vote. If the bill carries, then the Legislature will present the bill to the Lieutenant Governor for royal assent.

Mr Mahoney: On a point of order, Mr Chairman: Without being defensive, I feel I must respond that everyone around here knows the process of getting bills out to committee requires a vote to take place in the Legislature. Then it goes out for amendment at committee and I really think it is unfair that witnesses who come before us are subjected to the kind of political nonsense that we just saw from members of the government side.

The Chair: That is not really a point of order.

161 ST GEORGE STREET
TENANTS' ASSOCIATION

The Chair: We have 161 St George Street Tenants' Association. Please come forward. You have been allocated 20 minutes. You have 10 minutes for your oral presentation, followed by approximately 10 minutes of questioning from the committee members. I would ask that you state your name and position in any organization you are representing, for the record of the committee.

Ms Ilkow: My name is Martha Ilkow and I am a member of the tenants' association at 161 St George Street. We gathered around and we were talking about why we oppose the rent increases, so I would like to read off what is sort of a summary of our objections to the current rent review system.

We have found that we have really no control over the costs which our landlord claims to incur for the work done on the building. The costs that are incurred and passed on as capital expenditure costs seem to very ineffective in terms of costs and the final results are rather poor. We found, for example, that carpeting was listed at a cost of \$22.50 per square yard. We received quotes from two other companies for carpeting of a similar nature at a price of \$13 to \$15 per square yard.

We had smoke detectors installed which cost us an average of \$95 per unit and we found prices to be as low as \$15 to \$35 per unit. We received a new washer and dryer and the price to do one load of laundry has gone up 166%, yet these new washers and dryers are less efficient in drying and taking care of a load of laundry and people now pay an increased price and they have to rewash or redry their laundry.

Not only do we not have control over the costs that our landlord is taking on and passing to us, but we have even less control over what type of repairs are being done to our apartments. For example, most tenants who received new fridges claimed that they did not need one and their current fridge was working fine. We also found that there was no need to repaint the hallways, which barely had a mark on them, or replace an almost new vacuum cleaner again. We did, however, find that most of the tenants' needs are actually being ignored in terms of complaints about lack of

heating, gaps around the windows, holes in the walls of the apartments and paint peeling inside the apartments.

In general, we find one of the major flaws of the current rent review system is that 25% or more of the units must be affected in order that the landlord can claim this expense as a capital expenditure cost. We feel that this decreases the incentive for the landlord to undertake repairs and make improvements unless it affects 25% or more of the units. As a result, the small problems are left to fester for years until the landlord can claim 25% of the units having had the repairs done. The needed repairs and basic maintenance are being neglected and work which is needed on a day-to-day basis is being ignored.

We feel that a portion of our annual rent should be used for ongoing maintenance; therefore, the landlord would be able to maintain the capital value of the building rather than classifying large-scale repairs as capital improvements. We found that the capital expenditure costs grew by 141% between the order we received in 1987 and the order we received in 1990. This seems to be an unholy coincidence between the amount of repairs done in our building and the Liberal government's rent review system. Another flaw with the current system is that tenants should have to pay this increased rent year after year once the costs have been paid off. The system should allow for a decrease in rent after the work is completed and the costs are recovered.

Another problem with the existing system is that it makes the tenants fear major renovations as they know this will lead to large rent increases, as has been the case in our building. In 1987 we received an order for a 14% rent increase and in 1990 we received another order for a 14.85% rent increase. There is work on the elevators and the windows which has been proposed as part of a five-year plan, and yet it has not even been written out in terms of the cost estimates which we will have to cover.

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Tenants in our building have been complaining of the lack of heat in the winter for the past three years since they can no longer regulate the heat in our building. As a result of what appears to be cost cutting by the landlord, there are tenants in our building who find that they have to sleep with their stoves on at night while other tenants find it too hot and have to sleep with their windows open.

In response to our complaints about the problem, our landlord sent us a letter in February 1990 stating tenants' complaints about the temperature being too cold in their apartments was due to the cold air draughts which came in from our windows and that there were "a lot of window cranks which would have to be replaced and window-locking devices repaired. As well, a number of balcony doors did not lock or close properly. As a result of this ice collects on the inside of the tenants' windows."

To take care of this problem, the landlord suggested that he would replace our windows at a cost of 3% to 4% on our next annual rent increase. The problem is not that there is a need to replace the windows, but that the windows have not been properly maintained. It has been such a long period of time since they were washed. You can see that the caulking has all dried out around the window panes. The weather stripping is almost of no use. So we go

back to the basics: the maintenance and repairs which should have been done by the landlord on an ongoing basis have not been done.

There are some expenditures which the landlord claims are capital and are made necessary because there is insufficient maintenance there. We have had a problem with our elevator, for instance. The controls do not work very well and, as a result, the tenants are unable to get off because the doors of the elevator do not open on certain floors if the number of people in the elevator exceeds three. It seems there has been very little maintenance done on our elevators over the past few years and this is probably why they are in such bad shape. The only work that will be done on the elevators is proposed under our landlord's plan for the 1991 capital expenditure cost and it will be passed on to us in part as tenants. We feel we should not have to pay for repairs long after the elevator, for instance, has been depreciated and is written off. These repairs are not of the original quality of the building and they are going to be extremely high. The onus should be on the landlord to provide the most efficient repairs needed for the building and to make them cost-effective for us.

Mr Tilson: Ms Ilkow, I understand what you are saying and I hope the government and the Minister of Housing will listen to what you say. Most of your comments appear to be directed towards the overall plight of the tenant and the problems the tenant is having with landlords who appear not to care and appear to be taking advantage of the situation. Hopefully, the new green paper which the minister is preparing and which will be introduced next month will address some of those concerns.

I guess my question is dealing specifically with problems that have been coming to this committee specifically on Bill 4, the problems of the interim legislation. The last speaker, for example, zeroed in on the retroactive feature. Submissions have been made to us about how the retroactive feature will hurt not only the landlord but the tenant. It will hurt the people of this province who are losing jobs because of it, who are supplying contracts. Landlords are not ordering, for example, new appliances that are needed in buildings that might be more than 20 years old.

I do not know whether you have read Bill 4 or not, but I am sure you have been listening to some of the proceedings. Looking at that specific area, do you think the retroactive feature of this bill is fair?

Ms Ilkow: Yes, I personally do think it is fair. I think what we are looking at is similar to what you look at in the business world. The landlord is an entrepreneur, he is a businessman and, if there is not very closely monitored legislation, an order to follow that he gives the tenants what they are entitled to, he will of course abuse the system.

When things are put on retrodate and they are held back, I think it is because we are taking a second look at the situation. We are trying to decide: Is this a fair system or is it working against the tenants? You have to understand it is everyone's desire to have his own home, to have his own land. It is the basic necessity, but for those of us who cannot afford it, our alternative is to rent an apartment. When we rent these apartments, this should be regulated just as the

government regulates businesses. Otherwise they will take advantage of bad times or the economy. For instance, in the late 1980s when it became very good, all the prices skyrocketed and tenants just had no choice.

Mr Tilson: I agree with what you are saying, but my question zeroed in specifically on the retroactive part of it, and I guess I go beyond that and ask whether this legislation helps, in your view—I am talking about Bill 4, not the green paper—whether this legislation helps existing and future tenants in improving their quality of life. How will Bill 4 specifically improve the quality of life of the tenant?

Ms Ilkow: If they start to put a limit and perhaps an audit is set up on what is being done to our buildings, I think—

Mr Tilson: Bill 4 does not do that, though.

Ms Ilkow: No, but I am saying I think it will lead towards that.

Mr Mammoliti: We have been hearing consistently from tenant organizations and others that landlords have neglected the maintenance of the buildings and then, taking advantage of the legislation, want to recapture the money from the tenants when they have to replace everything.

Ms Ilkow: Yes, this is very true.

Mr Mammoliti: The example that you gave was elevators, and it struck me that elevators are very important for the obvious reasons: whether there is a heart attack, a fire or whatever there is in the building, you need elevators.

Ms Ilkow: Yes. Sorry, we did have an example of that. A man had a heart attack on the seventh floor of our building and it took 25 minutes to come up by elevator. It was dangerous.

Mr Mammoliti: In your particular case, do you think it is fair for the landlord to recapture the moneys for the new elevators or whatever he planned on doing and basically ask you for that money? Do you think that is fair in your particular case?

Ms Ilkow: No. I have been trying to review it and see it rationally from the two sides, the landlords and the tenants, and having gone through what I have over the last few years, I am trying to see what the solution is. I do think in part that the landlord should be forced to put aside part of this money that he receives from the tenants to take care of repairs and maintenance on an ongoing basis. It seems ludicrous that he should not take care of this and then, suddenly, when we should get what we are needing, we have to pay so much more for it.

The Chair: Any further questions? No further questions. Thank you. This side is finished and now we are going to the Liberals.

Mr Mahoney: You had me all upset. I thought you were hungry and going to lunch.

The Chair: No, this committee never adjourns before 12:30.

Mr Mahoney: We may today. Thank you for your presentation. I was interested in the statement you made in closing. The last part of it was that the repairs should be cost-effective for us. I think that is what you said. So you

should do good repairs and it should be cost-effective for the tenants. Are you suggesting that you are not objecting to reasonable rent increases for these repairs when they are necessary?

Ms Ilkow: No, and I say on the behalf of all the tenants in our building, everyone said we do not disagree with paying a small percentage rent increase to cover repairs on an ongoing basis, so that if there is a fire, if there is some hazard in our building, we don't have to find out later, much too late.

Mr Mahoney: I guess my concern is that we have heard people say landlords should do repairs on an ongoing basis. I do not know the specifics. I think you said some people got new fridges when they said they did not need them and certain painting was done when it was not apparently necessary. But I wonder if these are not sort of examples of ongoing maintenance.

Ms Ilkow: No, none of these jobs commenced until after the Liberal government came in, and in 1987 we got this first major increase of 14%. Since it has continued, it seems to be very obvious that, as I said, a major fault with the system now is that if 25% or more of the units are affected, it is legitimate, so if they are actually needed or not, it is not defined, it is not specific enough.

Mr Mahoney: How are you going to determine that those things are needed, and what incentive is there at all under Bill 4 for any landlord to do any repairs? We have heard some nightmarish stories today and in past days about what would certainly appear to be irresponsible landlords, bad landlords. First, how is this Bill 4 going to create good landlords, and second, should we really not be scrapping Bill 4 and moving on to the green paper to try to put something in that is long-term cost-effective for us, to use your words?

Ms Ilkow: I think you have to put everything on hold for now because under the present system the landlords are making out very well in terms of costs that are passed on, and we as tenants are just having to continuously move out of buildings and leave. The system has to be amended. There is just no question. It has gone to the worst it can. There is no way you can just continue it and decide to change it all of a sudden. It has been done through a process to work for both parties.

Mr Mahoney: You have heard some of the comments from some people today about the retro-

activity and the damage that is doing to some private individuals. Do you support, in a sense of fairness, making this bill retroactive?

Ms Ilkow: As a tenant myself, if I feel there is work to be done and it is commencing on a certain date and I am residing there, then this is the issue. We are looking at that date. It should be going back retroactively. If the work was done properly, I think it should be looked at. If it was done cost-effectively and it was not needed—

Mr Mahoney: That is not what the bill does. It is not a question of whether the work was done properly, it is question if whether the individual had approval to go ahead and do the work. In the previous case they even had the concurrence of the tenants, for goodness sake. Now, as a result of this legislation, that has all just been taken away. Is that fair to you?

Ms Ilkow: This concurrence of the tenants is very deceiving. Our landlord went about saying how we had all agreed to getting new windows. Of course, when we have our heat cut down to almost nothing and we are told we cannot regulate the heat and people are getting sick, people are going to ask why not. It is a very deceiving way of saying you get a concurrence of tenants.

Mr Mahoney: Can you just answer me—I do not mean to cross-examine you—yes or no: is it fair that one government gives approval to someone and another one retroactively simply takes that away, or do you think that should be looked at?

Ms Ilkow: Could you say that again?

Mr Mahoney: Do you think the retroactivity is fair?

Ms Ilkow: I think it is.

Mr Mahoney: Thank you.

The Chair: I would like to thank the witness for coming before the committee with your brief. We found it quite interesting.

I want to inform committee members that the schedule for this morning has been completed and we will adjourn until 2 pm. Thank you for your co-operation.

The committee recessed at 1205

AFTERNOON SITTING

The committee resumed at 1404 in room 151.

The Chair: The Chair sees a quorum. I call the standing committee on general government to order. As everyone knows, we are holding public hearings in response to and in consideration of Bill 4. The first presenters this afternoon—

Mr Tilson: On a point of procedure, I guess, Mr Chairman, I had brought a motion which this committee passed with respect to government officials providing the members of the committee with details on the various cities that we were attending. Has that come out yet? Have I missed it? Has that been made available?

Mrs Y. O'Neill: In the same vein, Mr Chair, I thought we had asked that we have the ministry officials return to the committee. Have you and the clerk been able to arrange a time for that?

Clerk of the Committee: I have been going through the agenda, Mrs O'Neill, and I have to run it by the committee, but it will have to be the week of 11 February, possibly lunch on 12 February, if that would be agreeable. The alternative is after the hearings on 12 February.

Mrs Y. O'Neill: So we are firming that up now, are we? I would certainly have liked this sooner.

The Chair: Do you want to do it sooner?

Mrs Y. O'Neill: I guess it is impossible. I trust the clerk has explored every waking moment that we have.

The Chair: We will get some documentation to the committee on a little more formal basis soon. Maybe we can draw up a memo and distribute it to all members. I do not think we dealt with your point yet, Mr Tilson. Do we have a ministry staff person to answer that? Why do you not come up and identify yourself for the record and help us, please? If you could answer the question, it would be helpful.

Ms Richardson: My name is Dana Richardson. With regard to the information about the cities the committee is going to visit, that will be delivered to the committee this afternoon. We are just preparing it.

The Chair: Is that all right, Mr Tilson?

Mr Tilson: Yes, that is fine. I have one other question on procedure, because I know you are trying to schedule things. You will recall that I introduced a motion, which was defeated, with respect to asking a number of government officials to come and provide us with comments from different aspects. That motion was defeated with the caveat that officials from the Ministry of Housing hopefully would provide that information.

There was a final name on that list. I guess I have it here somewhere in the scads of paper, but the name was Mr Thom, who of course did a very extensive report on rent control for the last government, which cost the taxpayers of this province a considerable amount of money. We are now into a similar type of rent control system, perhaps a little bit more rigorous. I still feel that with all of the information Mr Thom has in his report, as well as

information that may not be in that report, it would be useful for this committee to hear from him.

I do not know how whether the previous government simply received the report or whether there is any committee which had him make any specific comments, but I think that is a new game. We now have a new piece of legislation and I still believe that individual should attend before this committee.

The Chair: You are asking that we get concurrence of the committee to schedule Mr Thom.

Mr Tilson: Yes. I understand the government's position on having all the various ministers or people from the various ministries, that this might get cumbersome, but this is a different individual. The Ministry of Housing will not have Mr Thom's personal comments. I mean, we can all read the report, but it would certainly be useful and would be interesting, in light of the new legislation, to hear Mr Thom's thoughts. Since the previous government did pay such a substantial amount, I am sure Mr Thom would be only too pleased to come. Hopefully, he could be scheduled at a time which would be convenient to him and to us.

The Chair: What are the wishes of the committee on the suggestion that we have Mr Thom?

Mr Mahoney: Agreed.

The Chair: Agreed. I am asking all members.

Mr Mammoliti: I would like to discuss this a little further, if possible.

The Chair: Certainly.

Mr Mammoliti: I thought we had discussed this already, and it just keeps coming up. Again, I do not know what the practice has been with the committee, but once you discuss something, is it the practice to bring it back again to the table two and three times?

The Chair: Yes, the practice has been that members from all sides feel that as time and as hearings go by, circumstances change and warrant discussion of matters that may have been brought up in the past but are being brought up presently under different circumstances and in a different way. In terms of schedule, what Mr Tilson has said is that previously he had provided a long list of individuals and officials he wanted the committee to hear from, but now that he is not interested any longer in that long list, he wants the committee to consider only one name.

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Mr Tilson: It is not that I am not interested; the committee did not agree with me.

The Chair: I am sorry I put it that way. I did not mean to say that.

Mr Mammoliti: We also said we would accept submissions or written proposals from anybody and if we had time we would deal with them.

The Chair: I am asking for a consensus. If there is no consensus, we will continue to do as we are doing.

Mr Abel: I would like to move that this motion be tabled.

The Chair: You do not want to have a discussion?

Mr Abel: Actually what we are looking for is time so we can have our own discussion.

The Chair: Do you want to defer the discussion?

Mr Abel: I would like it tabled.

The Chair: Was that an official motion you were making?

Mr Tilson: No. I am going to raise it again, but I am glad that the government is at least considering it. With respect to the remarks from my friend here, I am not repeatedly raising it. I raised it once. It was raised in the context, as you said, that I expressed an interest for a number of people to hear it. This individual, Mr Thom, does not fall into the category of the other ministry officials; he is quite different.

I might say that I am disappointed in the hesitancy of the government in taking the position that it is, because I know that the NDP, at the time this report was presented, was most interested. I would hope they would want to hear an unbiased opinion as to what someone of Mr Thom's expertise in rent control would have to say with respect to this legislation. I do not know why you need time, but if you need time to think about it, I have no problem with that. I am disappointed because of the difficulty we have in scheduling.

Mr Drainville: Obviously, finally Mr Tilson has indicated that we shall have the time to think about it. As to his disappointment, Mr Tilson has indicated his disappointment on many occasions and probably will in the future as well. I might say that since we have people ready, the deputation, perhaps we might move on, Mr Chair.

The Chair: Okay. The consensus on the matter is that we withhold further discussion for the time being and we will get back to it.

PARKDALE COMMUNITY LEGAL SERVICES

ANGRY TENANTS' ASSOCIATION

PHIL WYNN TENANTS' ASSOCIATION OF PARKDALE

WEST LODGE TENANTS' ASSOCIATION

The Chair: The first presenter this afternoon is the Parkdale Legal Services. They are duly seated before us, ready with their presentation. We have allotted 40 minutes for your presentation, ladies and gentlemen, 20 minutes for an oral presentation and a further 20 minutes for questions and answers from the committee. I would ask that all people at the table please introduce themselves or have one spokesperson do that and also the positions they hold within your organization.

Mr Poesiat: Good afternoon. My name is Bart Poesiat. I am a community legal worker at Parkdale Community Legal Services. I am here this afternoon to introduce three tenants' associations, representatives of three tenants' groups in the Parkdale area. These groups and the people who will be deputing today represent

approximately 5,000 tenants in the Parkdale area. Parkdale Community Legal Services has had a long involvement with these tenant groups. They are client groups and we have also acted in an organizing and an advocacy capacity.

Luke Utti is the president of the Phil Wynn Tenants' Association of Parkdale. This tenants' association represents tenants living in six buildings in the Parkdale area owned by Pajelle Investments, the principal owner of which is Phil Wynn, hence the name. Mr Utti will be saying a few things about the state of disrepair, the conditions in the buildings and the extraordinary rent increases that the landlord has been getting in spite of that situation under the Residential Rent Regulation Act.

Next is Joyce Routley. Mrs Routley is the treasurer of the West Lodge Tenants' Association, representing approximately 3,000 tenants living in 720 apartment units in two related complexes, 103 and 105 West Lodge. The building is a disaster zone. It should probably be condemned. In spite of that fact, the landlords have been getting large rent increases due to a financial loss situation due to the acquisition of the building, so there again these tenants have their own horror story to tell.

Next is Judy Rintoul. Ms Rintoul is the secretary of the Angry Tenants' Association, representing tenants living at 96 Jameson, 109 Jameson and 166 Jameson Avenue. Those buildings, as some of you may recall, originally belonged to an organization known as Toronto Apartment Buildings Co Ltd, or TABCO, which company for a long time charged very high rents for quasi-hotel suites.

After this illegal venture was stopped by action of the tenants, a new landlord, the Franklin Group, bought these buildings and applied for two successive rent increases in 1989 and 1990. Both were financial loss propositions under the act as well as a lot of unnecessary renovations, so the prospect is that these tenants will face rents that will go up by at least 100%.

Each of these tenants and these tenant groups has its own story to tell. To point out that in front of you, you have some fact sheets that briefly describe the facts and also each individual tenant group has some material it will present when it starts making its submission.

Behind me are a number of tenants from all three groups who have come here in support in spite of the fact that it is a working day and it is 2 o'clock in the afternoon. I should also point out that it was unfortunate that these three groups could only get 40 minutes to make their deputations or their submissions, but we understand that at the particular point we put ourselves on the list it was impossible to get any more time. We will try to hurry as fast as possible. Without much ado, I will introduce Ms Rintoul from the Angry Tenants' Association.

Ms Rintoul: I am Judy Rintoul from the Angry Tenants' Association. I am representing three buildings on Jameson that Bart spoke of; 96, 109 and 166. We support the changes in Bill 4. The saying "If it isn't broken, don't fix it" sure does not apply here, for it is very badly broken and needs fixing and we are glad that someone is about to do that. The previous system allowed landlords to rake in tons of money and tenants

had to pay through the nose. That system allowed landlords to speculate and flip buildings and purposely allow excessive deterioration and a variety of scams and schemes, all of which we have lived through.

Now a short history of our horror story. Since the early 1980s under the previous landlord, TABCO, we had, as Bart mentioned, hotel-like accommodation that was rental by the hour, day or week with lots of money being made and none put back in the building—never any maintenance, no upkeep, no nothing—and illegal rents, lots of them, were proved in court and fines given to the company, which did not stop it. It is still going on now under the landlords that we have.

Those furnished suites had cheap furniture—and that was several years ago; it is now worn out—up until before this renovation scheme. Most tenants had already thrown it out, but they have been paying then and now for furniture that is either too old, too decrepit or is already gone. They are still paying and they cannot get out of paying that \$100-plus a month.

The buildings were allowed to run down into a slum condition long before Mr Franklin made his little public outcry about how they would be slums if he could not do what he wanted to do. In November 1989, Mr Franklin and his group bought the three buildings, which appeared to be a flip. On this they intend to make up to about \$1 million each and that is per building, not total. Since then we have gone through two proposed rent increases, one 35% and another 94%. That is over a two-year period, and this totals 124%.

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The wholesale renovations then started. The operative words there are “wholesale” and “fire sale” because that is the type of equipment and activities that were used to get this thing going.

We had a security system—\$40,000, they said, in this one building; in other buildings, it was more expensive—which has not been programmed and does not work. That was two years ago. Riser renovations to change the pipes in the building: there were holes in our building for months but they were finally done. At 109, Mr Franklin walked off the site and left the holes in the walls. That was November, and the holes are still there. Replacement of sinks, toilets, taps, showers, cheap paint jobs, counter tops that did not match or did not fit but were put in anyhow. They took out relatively new carpets and put in ones that looked to me not as new as the ones they took out.

Fire doors with deadbolts: these deadbolts were billed at one place, someone told me, for \$176. They were actually \$5 at Lumber King, where most of the stuff has to be bought for these renovations. Very abusive, unskilled and underpaid workers, break and enters: they just walk into your apartment whether you are there or not. One lady went to the laundry room, came back and her apartment door was gone. They were replacing it. Cockroaches, mice, bats, two fires that I know of in my building, water shutoffs, heat shortages and heat shutoffs, very poor quality and sloppy work that not one of you would pay for.

We also had to go through this other scenario: press conferences, different types of press, rent strikes, threat-

ened suits against us, injunctions and now this hearing. It is not easy for regular people who are not used to the turmoil and public speaking, while Mr Franklin and his high-profile friends are crying the public blues with the \$20,000 ads in the New York papers, the rent-a-construction-demos you see outside here and other various Saddam-like tactics. His intention is to double the rents in these buildings and resell by 1995 at double the price he paid for it; once again, that is per building, not all together. Would you sit through any of this?

Mr Poesiat: Next we have Mr Utti from the Phil Wynn Tenants' Association.

Mr Utti: Since Bill 4 was first introduced, there have been a lot of negative remarks about the impact the bill will have on the standard of maintenance and repairs. But the irony is that little or nothing has been said with regard to the horrendous rent increases our tenants have been subjected to over the years. We as tenants cannot afford to take out ads for thousands of dollars as the landlords can.

Under the previous legislation, the landlords have been able to apply a lot of the money invested in so-called capital expenditures to the tenants' rent. The only recourse we have is to go back to the rent review office and ask them to give us the opportunity to present our case in a way that we will find some justice, but this has not been the case. Under the old legislation, we found that rather than just paying our rent, we have been contributing to the cost of running most of these buildings.

Little or nothing has been said about the conditions our tenants are currently facing. The Phil Wynn Tenants' Association was formed after years of trying to get our landlord to see things our way. We tried on several occasions, by letters, by telephone calls, to tell the landlord of the various problems we have, such as cockroaches in the building, ceilings falling in, bathrooms not working properly, bathroom faucets falling off—we have floods in the bathroom.

I could go on and on, but the problem is time. I do not think there is much we can enumerate in under five minutes. I will tell you one thing, though, if the current legislation is allowed to stay, you are going to find a lot of our people on welfare rolls. This is not what the province wants to see happen to the innocent tenants in this province today. If Bill 4 is allowed to pass, at last in this province we will be able to say we have recourse to justice.

I ask you, Mr Chairman, and all members of this panel to take one thing into consideration: the fact that a lot of the members of our association are not making a whole bunch of money so that they can afford tomorrow to go buy their own homes. Keep in mind also that over the years, on account of the past legislation, this landlord has millions of dollars stashed away but has not put it back into maintenance of the building. I have copies of work orders that were issued, dating back three, four, five years, with 60-day compliance notices that have not been abided by.

In conclusion, all I can say is that our only hope lies in Bill 4.

Mr Poesiat: Next we have Joyce Routley, from 103 and 105 West Lodge, the West Lodge Tenants' Association.

Mrs Routley: My name is Joyce Routley. We, the tenants of 103-105 West Lodge Avenue, totally agree with Bill 4. We hope it will be passed. The landlords cannot then flip their properties and claim "inflated mortgage payments." We do not have to remind you of the now infamous Cadillac flip which cost the government, and therefore the taxpayers, thousands of dollars. The then government promised to put a stop to these practices, yet they still occur, over and over again. The buildings at 103-105 West Lodge have been flipped many times since 1980. The result: large rent increases.

Since 1987, there have been 407 work orders outstanding in the common areas alone at 105. Since then, 103 has another 491 work orders outstanding. These include the garages and the grounds. These do not include the individual apartments. I have copies in front of me, which you may have, of the outstanding work orders; also, some pictures of the deplorable state of apartments.

Mice are putting out the welcome mat in the front lobby. Roaches are doing the Mexican hat dance, which means no proper health maintenance. No elevators, or very sporadic, for the past three years. The roof leaks, plumbing is falling apart, walls and ceilings are falling down, no window screens, which is against the law, stoves and fridges are dilapidated, laundry facilities are practically non-existent, garbage rooms not cleaned, guards harassing the tenants—the list is too long to mention in the limited time permitted.

Yet we still got a 10.2% increase with another 9.8% phase-in increase. This comes, if my calculations are right, to 20%. Yet Zaidan Realty applied and was granted a tax reduction of \$250,000 a year retroactive to 1987. I also have papers for that. Will that profit the tenants? No, it only enriches the landlord's pockets. Furthermore, Zaidan is suing the Ontario government for \$2 million for delay of rent review. I also have papers on that.

Since May 1990, approximately 45 of the tenants of 103 and 105 went on a rent strike, and now Mr Zaidan is suing the rent collectors of West Lodge Tenants' Association and Parkdale Community Legal Services for \$1.5 million. This shows you the character of Zaidan, our landlord. The tenants believe some people should never be allowed to be landlords, and Zaidan is one of them.

1430

Mr Poesiat: I would like to point out in closing that it is very difficult to come up with concrete proof in a beautiful committee room like this about the state these apartments are in and have been allowed to deteriorate to under a rent review process. So we have made voluminous copies of work orders, orders from the standards board, things which date back in the past and never got repaired or took three years to repair. I have submitted them all; it is just a small sample.

There are also some pictures there. They are just small samples. In order to bring in every bit of evidence, which we could have done, we would have had to bring in a few

boxes. That really makes little sense. I do not think your committee has time to go through all that. Also, there are some pictures there which, unfortunately, we have to take back because we need them for court. They are illustrative of the disrepair conditions at 103 and 105 West Lodge.

This ends our submission. We are ready for questions.

The Chair: Could I have everyone's attention for a moment? We have an overflow of visitors today in the committee room. I made plans for an overflow. I want to tell those who are standing who wish to obtain a seat to watch our proceedings that we have made arrangements for room 230, on the second floor of the west wing, to be made available, and there is live TV coverage of the proceedings. Also, on this floor, next to room 180 there is an open room—that is in the east wing—and we have live coverage there. You are all welcome to stay or you are welcome to obtain a seat in those two other rooms we have made available.

Ms Harrington: I would like to thank you very much for coming this afternoon. I just looked at those pictures you passed around. I did go to West Lodge two weeks ago. It is the kind of building you go into and feel you should be turning around and leaving right away. Living under that kind of lack of maintenance and lack of care must get to your very being and influence your total feeling about your life, because even if you try to take care of your own apartment there is no way you can avoid that disaster around you.

This morning we heard a quote from one person saying that no government has the right to be unfair. What I am saying is that your presentation has shown that there is a total unfairness in this society, and that is what we are up against. That is what we are trying to get at, that this system we have had in effect for the last five years has been totally abused. Those buildings, particularly the West Lodge, are three huge buildings, a complex which was probably built about 20 years ago and at that time were luxury buildings.

Mrs Routley: Twenty-five.

Ms Harrington: Twenty-five years ago. Total abuse of that situation by the landlords to get as much money out of that as possible has led to the situation now. There is no way the tenants are responsible. It must be the people who own that building who have led to that kind of situation. The total injustice of the financial loss provision in the bill has done this, and probably even before that as well.

We are here to try to address this total injustice, and I would like your help in the long run to get some better legislation. Maybe you can come back and give us some input on that. I think what we are looking at now is a change of philosophy, because the question really is—to everybody, not just people in the Legislature who are on this committee—what is housing? Is it just an investment or is it a home? If it is a home, is it a right? And if it is a right, then we have to change things.

I would like you to comment to see if there is any way out for these particular buildings you are talking about. It is going to be a long haul to try to change the situation in those buildings. We have to get people there.

The comment was made about trying to run co-operatives. That is maybe one way out, but certainly we need the private sector and responsible landlords. We cannot just have everything turn into a co-op, even though we would like to, because that way people have an input, just like owning a home. That is how I see co-ops; you have that pride of ownership. Nearly everyone in this province wants to own a home. If you cannot do it, then I say being part of a co-op is a wonderful experience. We do need the private sector as well and we want to work together with it. If you have some further comments about what we can do in the future, I would appreciate it.

Ms Rintoul: One solution is not to allow renovations, because I went through that one and that is not the solution. They need renovations, but not under the present system or they will be paying—

Mrs Routley: We do not need the renovations; we need repairs.

Ms Rintoul: Repairs. Sorry, I made a mistake.

Mrs Routley: There is a great deal of difference between renovations and repairs.

Mr Drainville: I want to say two things. Again, we have the opportunity to speak with tenants who have had a severe impact on their lives in terms of the accommodations they have had and the difficulty of trying to make those accommodations into places that are homelike. What has been very helpful, and I want to commend you for this, are the photographs we are passing around the committee at this time and the other documentation that indicates the battles, the struggles and the fights you have had to try to ensure that you have an acceptable place to live.

In some of the documentation, letters you have received from the property managers, particularly Curtis Property Management, I saw a letter to the tenants dated 1 March which said that the owner intends to spend the total budget they had set aside for renovations. This was an indication that counter tops, windows, a new fridge and stove, balcony panel repairs, etc, were being done. We see in some of those photographs an indication of some of the kinds of renovations that are brought about by the owners. I think the distinction you are making here between repairs and renovations is a very important one.

There have been tenants who have come here, and I would like to get your view on this, and indicated that they too believe there are times when there needs to be a new roof. But what happens is that when it goes through the present system and legislation to get that new roof, you are paying for the rest of your lives in that building. Some people have said that rather than that, when there is a major capital expense that has to be put out, why can it not be that after that has been paid for, rent goes down appropriately.

There are two views on this, and I am not taking one or the other. Some people say that as far as tenants are concerned, it is up to the landlords to make all sorts of repairs; it is their responsibility and they should take money out of the rent they receive to do that. There are other tenants who have given us the view that they believe it is fair for major capital expenditures like a new roof. They do not

mind helping as long as at the end, when that has been paid for, their rent goes back down to a reasonable amount, and that once it is paid for they are not paying for the rest of their lives money out of their own pockets. Where do you stand on that particular issue?

1440

Ms Rintoul: I do know about that, but I want to tell you about 109 Jameson, where Mr Franklin walked off. There were orders for the garage to be repaired for, I think it was something like 10 years. So among his renovation schemes he repaired the garage. He spent, I have no idea how many millions there, how much of his millions of dollars he said, but as it turns out it was better before than it is now. It is the quality of work; a lot of stuff is being done and it is overcharged, overbilled and inflated to make it look really good at rent review. Once the bills hit rent review they see nothing else, they just see the grand total. They do not come downtown or down to Parkdale and look and see that you have an absolute mess left.

Mrs Y. O'Neill: Mr Chairman, I find this presentation very difficult. It is very difficult to know that so close to where we are sitting conditions like this exist. In fact, I used to spend a lot of time on Jameson Avenue because that is where I met my husband, but that is a long time ago and I guess things have changed somewhat since then.

I do find that things you have brought to our attention—and I certainly am pleased that you brought the pictures—and in the Angry Tenants' Association brief are indeed described in the way in which they are. They are unlawful. They are not anything to do with existing legislation. They are the result of irresponsible behaviour on the part of landlords in this city, who I hope, and from what you have said you have, through extensive legal and political action in at least one case, the ones on Jameson Avenue, brought to task. There is a Residential Rent Standards Board that I hope has been of help to you in some of that and no doubt you have had input from MPPs.

What I would like to ask each of you to respond to, if possible, is how Bill 4 is going to help you.

Mr Poesiat: The tenants feel that where Bill 4 will help, and each of the tenants here will respond to that, is that the rent increases that landlords have been able to get for absolutely nothing—that is one of the points of the presentation here and it is hard to bring that out in a few minutes. Take as an example the West Lodge buildings or the buildings belonging to Pajelle Investments, for that matter. These buildings have been run totally into the ground, but the landlords have been getting their rent increases every year. Where did that money go? That is why these tenants support a freeze on extraordinary rent increases, because what did Mr Wynn do in 1989 and 1990? He applied for 55% to 65% rent increases. I should point out these have not been determined yet, but they will not be affected by Bill 4. He applied for these large rent increases because he put in new windows and video camera systems which do not work, and if they did work, I guess it was to keep track of the mice and the cockroaches in the building, because there are no locks on the door.

Mrs Y. O'Neill: Are you telling me Mr Wynn had conditional orders?

Mr Poesiat: No, these are not. These are orders that are still basically sitting in the pipeline.

Mrs Y. O'Neill: Have they got a first effective date of 1 October or previous to that?

Mr Poesiat: The first effective dates for all the applications are previous to 1 October 1990.

Mrs Y. O'Neill: Are you suggesting that these are under appeal by tenants?

Mr Poesiat: They are not under appeal by tenants. They have not been determined yet because they are still backlogged at rent review, but they will come through. The tenants at least know that under Bill 4 this kind of thing will not be allowed to happen again. That is why the tenants support it.

Ms Rintoul: I am still in the same boat, where both of our applications are due before the moratorium deadline. So whatever rent review gets, and I hope it is less because of things like this, there is no way I can afford to double my rent. Jameson was nice when you were there probably, but now it is changed. You have drug addicts, you have vagrants coming up and down the stairwells, all of this sort of stuff.

Mrs Y. O'Neill: I know of the conditions on Jameson. If I personalized too much—

Ms Rintoul: If I am going to pay \$800, \$900, \$1,200 rent I am going to a condo on the lakefront. There is no way that I am going to support Mr Franklin and his buddies down in the Bahamas or wherever they are going to be.

Mrs Y. O'Neill: I just wondered, more directly, how Bill 4 would help.

Ms Rintoul: Bill 4 should stop them from these excessive renovations and the inflated bills, the flip-flops of the various buildings, like this lady said, three and four times. Those financial costs cannot be passed on. I have not got all the fine details. I am not a lawyer, so maybe I am a little off whack.

Mr Brown: My questions really are following along Mrs O'Neill's. I am also wondering how this specific legislation is going to help. Do you see that your building at the end of this year or perhaps next year, because this is a two-year moratorium bill, will be in better shape or worse shape that it is today?

Ms Rintoul: It could not be in any worse shape.

Mr Utti: If you will excuse me, if I might comment on that again, there is this notion that Bill 4 will have an impact on the standard of maintenance, but the reality is that a lot of these landlords have walked away from maintenance and repairs over the years. So what they have done on that—I will not say the old one is still in existence—is that any time we have a whole-building review, they spend a whole bunch of money correcting a lot of things that could have been done as per the work orders issued three, four years ago. When you look at the cost-revenue statements, a lot of these figures are applied on a new application for rent rebate above the

stipulated guideline, so it would not really make any difference. These guys have walked away from the maintenance over the years, so this is one thing I cannot understand. If you say that if this goes through the landlords will not carry out more repairs, they will not do this, they have stopped this for years, so it really will not make any more difference.

Mr Brown: What you are telling me essentially is that they have not done anything, so it is not likely it is going to change anything?

Mr Utti: That is right.

Mr Brown: I wonder if you are aware in your own particular part of the world, in Parkdale, of buildings that are maintained with reasonable rents, that have good tenant-landlord relationships and why you think that is occurring in particular cases and not in others.

Mr Poesiat: I happen to know a particular example of a landlord in Parkdale, because I am lucky enough to live there, and the address is 22 Close Avenue. It is close to Jameson. I was lucky enough to move in there 9 or 10 years ago and I guess I will never leave. The landlord has not applied for large rent increases for the last eight years. The building is well maintained and recently some risers were renewed, new boilers were installed and it all comes out of the rent because we pay our guideline rent increases every year.

This is a long-term investment for our landlord. He has got a cleaning staff of four people and it seems to operate quite well. All the tenants I am working with are asking me, "When can we move into your building?" There is a long waiting list and nobody can move in there and the people who are in there sit tight. I am afraid that this building, at least in the Parkdale area, is a bit of an exception. But there are other buildings like that. Those landlords have never asked for large rent increases.

The Chair: Sir, thank you for your answer. We have to move right along.

Mr Tilson: I too have some connection with the area. My grandparents owned buildings that existed before the apartments arrived, so it obviously would have been a completely different neighbourhood for a young boy growing up in that area, but as a result of that personal connection with Parkdale, and specifically on Jameson Avenue, I have always followed it. I am simply amazed as to what you people have gone through and how you are continuing to go through it. I think that gets to the real question of the last piece of legislation that the previous government had and this legislation. This is temporary legislation and we know there is new legislation coming. We do not know what it is going to say, but will it solve your problem?

I guess I am following along the same line of questioning. Yes, it will effectively freeze rents. There will be no more phase-ins. There will be no more pass-ons for capital expenditures. I understand where you are coming from with that, and obviously the stories that you are telling have been in the press and I sympathize with you. It is terrible, what you are going through.

But at the same time, landlord after landlord is coming to this hearing and saying: "Why would we do anything? We don't have the money. If we don't have the money, we go to the financial institutions. The financial institutions won't provide us with the money to do even maintenance." One can say there is enough money in the rent they are getting to do maintenance, but the landlords are disputing that. Maybe they are lying, I do not know.

1450

Ms Rintoul: They are.

Mr Tilson: Maybe they are in specific cases, and that is the difficulty of course, that you have listed flips and luxury apartments. The Ministry of Housing has given the government's own statistics as saying that these examples do not appear to be in the majority of applications that have come through. There is a small percentage. They have given landlords a bad name, probably. There are a lot of good people. We have had people weeping in here who are literally going bankrupt.

I guess I am going to ask the same question to you. I trust you have all read Bill 4. Will Bill 4 solve the problems that you are raising, the horror stories that you are raising of probably breaking municipal, provincial and probably every law under the sun? Will Bill 4 resolve that? In fact, if you do say yes I will dispute it, because it does not, but I will give you a chance to comment on what I have said.

Mrs Routley: You did not give me very much of a choice there, did you? We have lived under those horrible circumstances for so long that we can live another year under those circumstances and Mr Zaidan will still have to provide us with the basic necessities, will he not?

Mr Tilson: Do you think he will or will he use this as an excuse not to provide it?

Mrs Routley: This is what I am saying to you. If landlords were supposed to have a licence I would never give him one.

Mr Tilson: They are going to use this as an excuse not to provide it for you, this bill. It is not going to work for you.

Mrs Routley: I do know, but at least we are only paying 4% and not 20% and 40% and 50% and 200% increases.

Mr Tilson: I understand that.

Mrs Marland: First of all, I want to say that I sympathize very much with the presentation you have given from the standpoint of what it is that you have been putting up with and what it is that you have to endure. You mentioned work orders outstanding for years and you mentioned that every law possible has been broken. I do not think any one of us in this room can accept or permit those things to continue. I notice one headline you have given us here is "Rent Hikes up to 128% Scare Tenants." Any excessive rent hike scares everybody because everybody is budgeting today generally almost to the margin.

What really concerns me is that there are tenants, not only in Toronto but around this province, who think that Bill 4 is going to be their salvation, who think it is going to

solve the kinds of problems that you have got these excellent photographs illustrating very well, that it is going to solve those problems and it is going to remove the kinds of conditions that you are paying for at any rent. For the conditions you are putting up with, the fact is that you are paying excessive rents today if you never had another increase for 10 years. The fact that you have work orders outstanding which are probably in contravention of municipal bylaws under the property standards act, and I am assuming what some of those infraction are, but what I think is so sad is that you are here illustrating a very grim situation for which this current government is not giving you the answer. All they are saying is that your rent increase will not go up. But is it really fair to sit back and let you live with and endure the kinds of conditions that you are paying any good money for?

Ms Rintoul: Some step is better than no steps.

Mrs Marland: And what is that "some step"?

Ms Rintoul: At least something that is positive. It gives you something to look for, it might help. Everyone is so astute out there, they are probably going to find loopholes as are found in everything in the world, but hopefully they can be rounded out and straightened out in time and things will all work out. I know that is heaven and all that sort of stuff and I do not expect to quite reach there, but at least it is a step in the right direction.

Mrs Marland: But can you tell us how it is going to help? That is what three people in a row have asked you.

Ms Rintoul: If I knew—

Mrs Marland: Let me ask you the question another way.

The Chair: Very quickly please.

Mrs Marland: Is it fair that you have to pay rent and live with the conditions and the problems that you have?

Ms Rintoul: It never was before, so it is not now.

Mrs Marland: It is totally unfair, it is totally unjust, but do you really believe that only limiting the rent increase is the answer? That is my question to you.

Mr Utti: If I may say something, we are by no means under the illusion that Bill 4 is going to solve all our problems, but it is good to know, though, this is about the first time in the history of this province that some government has taken a stand to protect the rights of the tenants.

The Chair: Thank you very much. I want to thank the delegation for coming before the committee today. Your information was very useful and we appreciate the effort you put into your presentation.

COMMITTEE INFORMATION

Mrs Y. O'Neill: Mr Chairman, we have had a lot of handouts in this committee but we have had one that is of interest and I would like to put you on notice that we have a letter from a cabinet minister to this committee asking about our hearings and I want to speak to that. I am looking for direction from you as to when you want me to do that.

The Chair: As has been my practice since the early days of the committee, my requests to staff and others and

committee members' requests from staff and others and other information that I have received have been made available to the committee. We have four handouts this afternoon, one from the Ministry of Housing dated 21 January, signed by Anne Beaumont, the assistant deputy minister; a second handout from Robert K. Glass, Re: Standing Committee on Residential Rent Regulation Amendment Act—that is the title; another document dated 18 January addressed to myself by Mr Glass; and last night by fax I received a copy of a letter sent by a member of the Legislature concerning the committee's decision on not going to Thunder Bay. I want to let the committee know what response we are receiving by not going to Thunder Bay. I am not at liberty to change our schedule. I can only try to get a consensus from the committee and do as the committee orders me to do. Is there is any question on any of the four documents that I have handed out?

Mrs Y. O'Neill: I have a question certainly on the one of the cabinet minister, the Honourable Shelley Wark-Martyn, and I do not know when you want me to speak to it, but I am on your advice.

The Chair: I am willing to hear what you have to say now.

Mrs Y. O'Neill: Ms Wark-Martyn, as you know, represents the riding of Thunder Bay, and she wrote this letter on 18 January, at least that is what this states, and I feel that we made the decision on 16 January as a subcommittee and then as a committee—it was either the 16th or 17th—not to go because at that time we only had four people appearing and I know it was an all-party decision.

I would certainly like to have the clerk verify for us if Ms Wark-Martyn has new information for us. There seems to be a need that she is expressing to let this week proceed, which is what I have always said from the beginning, that January 25 is a very important date in this committee and we have tended to rather forget that there are still ads and that the ads have stated that they can come before us and make a request to come before us until the 25th of this month.

I therefore feel that I would like to have an update. I would like to have somebody, the clerk preferably, contact the minister and find out what her concerns are, if she has more knowledge about deputations that want to be heard, if she feels that people from the north are getting a very bad message. I would like a further explanation to this letter.

1500

Mr Mahoney: Was there a vote on the committee to go to Thunder Bay? As you know, I have just come into this committee the last two days, so I would like to hear, Mr Chair, if you can help me.

The Chair: It was a consensus. Thunder Bay was originally on the list of the communities. My information is that four delegations were prepared to meet us in Thunder Bay and we felt that the minimum requirement should be five. Therefore, we offered the Thunder Bay delegations travel at the expense of the committee either to Toronto or to Sudbury. I am told by the clerk that there has been some upset about this and that one of the delegations

has refused to accept our offer. That is about all I can tell you right now, Mr Mahoney.

Mr Mahoney: I think this statement should be addressed. Perhaps Ms Harrington will address it since this letter is addressed to her from the Minister of Revenue. The statement is that we, and I assume she is referring to the government majority on this committee, will be seen as cutting off the political process and it could be, as she goes on to say, very damaging to our government. I think those are very important statements.

I have just, in my short time here, heard that a request put by my colleague in the Tory party to have additional people come forward has been defeated in a vote of the committee, and there was a request to have one additional person come, which has been deferred. I would hope, Mr Chairman, that the majority members on this committee are not shutting doors on people. That certainly appears to be what is happening.

Ms Harrington: I just got this letter I believe yesterday, or read it just yesterday. I do not know if Ms Wark-Martyn is aware that there were just the four delegates who wished to appear in Thunder Bay and what the resolution of that was. I would ask for consensus on this committee to have the clerk contact Ms Wark-Martyn and find out the situation and see if that can be worked out.

The Chair: I think that is a good suggestion.

Mr Tilson: I must confess the paperwork is coming fast and furious. I have not quite had time to read it all, but it is piling up here.

The Chair: It is two days. I wanted to give the committee members time to read. Maybe it was a good idea.

Mr Tilson: I agree. I appreciate your humour, Mr Chair, but at the same time I keep asking the government members because they have got the votes here. They can do what they like. I keep emphasizing that. I think these hearings should be extended. We put one set of advertising out for Thunder Bay, Sudbury, Ottawa, Toronto and Windsor, and that was it. Then we agreed to extend that to Hamilton, and it is regrettable that only half a day is allowed for that. I think there are many people who are appreciative. Peterborough seems to have been cancelled in spite of this list of names.

I do not know whether these people are not being heard, and I guess that is getting to my point, Mr Chair. This is an up-to-date report from the clerk as to what the numbers have increased to, if any, who wish to be heard. If those numbers have increased, for example, in Peterborough, I am willing to bet that there are people who are in Toronto who would be prepared to drive to Peterborough, which sounds crazy but if that is what we have to do, that is what we have to do.

In other words, if an opening is available, I am certain there are tenants' groups and landlords' groups and others who would be prepared to meet the at least 50 applicants. I guess my question to the clerk is for an update on some thoughts about those 50 people—I know we sent them a letter, but that can always be reversed—as to the possibility of expanding these hearings, and her recommendation.

The Chair: Just for more information for the committee, the committee members asked the clerk to prepare a list of individuals and organizations whom we could not schedule in, and we have now distributed that to the committee. You have a list entitled "Out of Town," and those are the people in the communities outside of Toronto who had requested and whom we could not schedule for the committee.

Clerk of the Committee: The out-of-town list, the scheduling for Ottawa and Sudbury, has not yet been completed. So on that out-of-town list there will be people from those areas who are still to be scheduled.

The Chair: Then we have what we have entitled "Toronto," because our hearings have been centred here. This information has been compiled at the request of the committee and you now have it.

Mr Tilson: Could I ask the clerk to comment? I am specifically concerned because the committee had agreed, for example, to go to Peterborough if numbers warranted.

The Chair: Mr Tilson, we are unable to go anywhere else, no matter what the numbers warrant, unless there is consensus in the committee to schedule more hearing days.

Mr Mammoliti: We agreed to talk about it, not to go. We said we would talk about it if there were more people, not that we were going to go to Peterborough.

Mr Tilson: I guess if we are going to talk about it and not do anything, that is fine. I think there is sufficient information before us this afternoon to warrant the extending of these hearings and I would like to know, from the government side of this committee at least, why it is not prepared to support that.

Mr Duignan: Mr Chairman, on a point of order: This has already been decided by this committee and it keeps coming back up again.

Mr Drainville: Let me just say, in terms of bringing up this issue again, I have consulted with a number of people who have been on standing committees before, and I have talked to the Chair of a committee, and there have been many committees that have had more people apply to come to speak to those committees than could be accommodated. In the experience I have heard, there has only been one bill put forward by a government which went to committee where everyone was told that everyone who applied would be heard. That was Bill 30, having to do with the separate school funding. But there have been many standing committees that have had—

Mrs Y. O'Neill: Your statistic is not correct.

Mr Drainville: That is fine. Let me be clear about the point I am trying to make. I tried to be clear a couple of days ago when we dealt with this issue. We have spoken about this in committee. The disposition of time has been made. We are not going to increase the time we have for this committee. That has been clear all along.

We have decided that we are going to be looking at the consultation paper when that comes up. We have tried to accommodate people by sitting on Mondays. If you want to sit on Fridays, the government side is saying we are

willing to do that. If you want to sit more evenings, the government is saying we are willing to do that. If you want to set those other times, we are willing to do that, but we are not—I repeat not—going to be moving into adding additional time to the schedule we have already set. If that is not clear, then I am afraid that is just too bad.

Mrs Marland: I think, with respect, I can speak in this committee this afternoon as one of the longest-serving members who happen to be in this room other than yourself, Mr Chairman. I want to say that there are lots of precedent examples of committees, because of a response from the public, expanding and extending their sittings.

I am not talking about extending into evening sittings because, quite frankly, if a committee has sat all day, it is pretty ludicrous to insult presenters to committees by having them come before a committee which at that point is not productively able to listen because of the fatigue of the sitting and travelling combination. So when you do it is very important, if you are going to be very much a participating member of a committee and able to listen and ask questions to presenters.

1510

The fact is that there is precedent for extending hearings and if this matter is so serious to so many people in this province that you have a very extended list—and I am a substitute member here this afternoon and I have not seen the list of people who have not been given time before the committee—if there is that kind of demand and if your government is really sincere about wanting to hear from the public, then I cannot understand why you would just arbitrarily say it has already been decided.

I would suggest it was probably decided before you had the response from the public. If that is the case, since there are six government members on this committee, it is a very straightforward routine proceeding for you to agree to making a request to the three House leaders to extend the sitting time for this committee. That can be accommodated very well if that is the wish of the government members. I think it is all to do with whether it is something you sincerely want to do for the public of Ontario.

Mr Mammoliti: I just do not understand why we have to keep talking about this. It has been brought up three times—this is the third time, and it is the third time that we are saying we are not prepared to do that. We also explained how important it is for us to pass the legislation and how important it is to us to discuss the green paper.

There are a couple of people here who are new to the committee and I can understand them asking questions. However, we have somebody who is waiting here and wants to explain his situation to the committee and I would like to defer this particular item. If not, it is up to you, but I would say to you that it is even more important just to forget about this because we have talked about it. To continue talking about this would only prove to be exhausting to all of us.

We have to expedite things. It is important to us. We have explained that to you and to the opposition. In order to do that, we have to listen to the people and that is what we are here for, not to talk among ourselves and to repeat

ourselves constantly. I would suggest that we continue the proceedings, Mr Chairman.

The Chair: Mr Mammoliti, I have a short list that I am going to finish up and then we are going to get back to our regular proceedings. I want to tell the committee that the Chair has no control over what particular member wishes to speak. As the committee clerk gives out information requested by members, it is normal to assume that this is going to evoke some particular discussion whether we had that discussion or not.

Now the feelings here are very strong on both sides. I have listened to them as best I can. There is one point of view which says we should extend hearings based on data, based on belief, based on circumstance, and there is another point of view that sees it in a different light.

As Chairman, I cannot arbitrarily cut off discussion. If I were to do so, then I would not and could not lead this committee. It would be impossible if a significant minority of members on this committee felt that the Chairman was arbitrarily cutting off discussion. Then I could not be an appropriate Chairman. I have to say that to you.

Ms Harrington: On a point of order, Mr Chairman: I think it might be appropriate, because we have invited guests here, to go ahead with the agenda and then have the discussion when the guests have finished, without cutting people off.

The Chair: I have three on the list. I have Mr Tilson, Mrs O'Neill and Ms Harrington and I drew a line under the list because I was not entertaining any more.

Ms Harrington: That is all I would have to say.

The Chair: Mr Tilson and Mrs O'Neill, you have the feelings of the committee. Let's please get right to the point so we can move along.

Mr Tilson: I will simply say, in response to the members of the government, that new information has now arrived before us. There are now 95 applicants who want to be heard and you do not want to hear them. You say that you are prepared to hear them, yet you will not expand the hearings. Obviously these hearings are going to have to be expanded. I think there are a number of expert witnesses you may want to hear.

This is very difficult legislation and it is very heated on both sides. I think this committee has an obligation to hear as much as possible, particularly from the people of Ontario. That is why this committee is set up. It is called a public hearing. I am a new member to the Legislature and I have sat in the House, I have listened to the Premier of this province and I have listened to the Minister of Housing saying over and over that they are prepared to consult, that they are prepared to listen. I ask you to listen and I have asked you to consult with the people of the province.

The Chair: Mrs O'Neill, and we are going to wrap it up.

Mrs Y. O'Neill: I do feel we are doing our job as MPPs when we bring forward in these hearings that there are so many not being heard.

I want to bring up one other thing. I do hope the clerk will phone the Minister of Revenue as early as this after-

noon to get an update of what her concerns are. Apparently Ms Harrington has agreed to that, and I am very happy with that. The students of Ontario, many of whom I deal with often, 210,000 post-secondary students, have not yet been given a slot. They are also objecting. They are the young people. They are the most important resource of this province.

These are not infinitesimal requests that we are bringing. We are very concerned as MPPs that the people of this province are not being given an opportunity—the first opportunity, by the way, under this new government—to make presentations. I am willing to sit as often as we can. I have not seen too many adjustments to the schedule. Perhaps you and the clerk will adjust the schedule even further than you have at this moment.

The Chair: No, I do not want to leave any misconceptions in the committee. The clerk and I can no longer adjust the schedule.

Mrs Y. O'Neill: You have made all the adjustments you can. Okay, I did not know whether you had re-examined it with the new information, but if you say we are working to every hour we can, then I will accept that.

The Chair: The clerk and I are following to a T the advice of the committee. We can only change with the advice and consent of the committee.

Mr Tilson: I wish to place this committee on notice that I will be bringing a motion in due course to allow the government to reconsider its position to expand these hearings to allow for more applicants and to allow for more expert testimony.

The Chair: Very good. We will proceed.

WATERLOO REGIONAL APARTMENT MANAGEMENT ASSOCIATION

The Chair: We have before the committee at this time the Waterloo Regional Apartment Management Association. I believe Mr Eby is here. Could you please identify yourself and whom you represent for the record. You have been allocated 40 minutes, 20 minutes of which can be used for an oral presentation and 20 minutes will be reserved for questioning.

Mr Eby: My name is Robert Eby and I am fortunate to be the president of the Waterloo Regional Apartment Management Association. Thank you for allowing me to appear before you on behalf of the association. At first I thought I would have to travel to Windsor.

The Chair: I have to interrupt you for a moment, because something has been brought to my attention that the committee members must be made aware of. I will add time to your particular presentation.

I have known for some time, I want to tell committee members, that there was a possibility that on certain days we would have more visitors to our committee than we have chairs for, as can be seen in this particular room. The committee rooms in this Legislature are all approximately the same size. That is why more than a week ago I asked the clerk to make arrangements so the overflow could be accommodated in two particular rooms that I mentioned just a few moments ago.

We probably will get a request to adjourn our hearings and move to a bigger room. That request will not be able to be accommodated because we have already accommodated an overflow. Second, the committee must finish its work today and travel to London tonight in order to be ready for 9 am hearings in the morning. I want all committee members to be aware of what is going on and requests that may be made, but at this time I do not think we can just up and move someplace else. It is not possible.

With that little bit of information, Mr Eby, perhaps you would continue.

1520

Mr Eby: As I was saying, at first I thought I was going to have to travel to Windsor and I was more than happy to do it because all the spots were booked in Toronto, but I guess because of the overwhelming number of people requesting to speak, you have added a day, thereby saving me an extended journey, and for that I thank you. From what I understand, with 95 more people wanting to speak and perhaps no place for them, it would be nice if they could in fact be heard on this very important situation.

To give you a brief description of our organization and its membership perhaps will enable you to understand the number of people who are united in this joint effort to attempt to convince you that Bill 4 is being proposed in the wrong place at the wrong time.

Our association has been in existence since 1973 primarily as an educational group helping the smaller landlords cope with running their buildings in a fair and equitable fashion, assisting them with understanding how to deal with the everyday operation of their property, particularly with landlord-tenant matters, and then in 1976 with rent review advice and interpretation of the rules.

We have a mailing list of about 200, most of whom are proud owners of approximately 5,000 apartments. The largest landlord that belongs to our association owns more than 3,500 apartments, and the smallest owner owns a single unit. Ninety per cent of our association members own less than 10 units.

We believe Bill 4 is unnecessary, unfair, draconian, unreasonable and perhaps even illegal. Bill 4 is directed at every rental unit owner in the province of Ontario regardless of the size of his building or the rental amount of her apartment.

By passing this legislation, do you really think you are going to protect those for whom it is intended? Do any of you believe that you are going to affect the landlords you most want to stop? All you will do is halt them temporarily with your Scud missile and they will shortly develop an effective Patriot missile to counter your attack. Unfortunately, though, the hundreds of thousands of workers of this province who own the small apartments do not have the same anti-missile resources to combat the mighty blow the NDP is about to deliver in a blanket-like manner, and we cannot survive the impact of the government's bomb.

To simply tell you the bill is rotten and should be rescinded is obviously just as bad as you proposing the bill in its present form. Therefore, I must also give you some examples of the points I am trying to make, including

compliments where they are deserved. For example, the prospect of the Notice of Rent Increase form being changed to eliminate complicated, unnecessary information is an excellent idea and my compliments to the minister.

In the amendments, subsections 83(6) and 83(7) seem to be a little unfair in that the delay is being caused by the government, not the landlord. The landlord has asked the tenant to pay the increased rent with the intention of repaying any overpayment once the order is issued. It is the minister's direction to the tenant that he need not pay more than the guideline and at the rent review office they tell the tenant he should put aside the money so that when the order is issued he can pay the landlord the money he owes. If this is the case, there is absolutely no reason the tenant should be given another 12 months to pay money he owes from one or two or more years ago. Does the government propose a law to make the tenant responsible for the debt he owes, or will you simply tell the landlord, "Go find the tenant," after he disappears?

If you must implement such an amendment, would you accept the suggestion that it be applied to any application submitted after 1 October 1990 and that the tenant be advised to bank his increase or pay it to the landlord, who must put the money in a trust account? This would be an excellent method for the tenant to budget more accurately for the future and get used to paying the full rent every month, either to the landlord or the tenant's bank account.

If the tenant intends to remain in the building after he receives an order, he then has the funds to pay the debt owing and will not be forced to pay the new rent plus an additional monthly amount to make up the arrears. The landlord will not be forced to chase a tenant who leaves, and if the tenant decides to leave then the landlord still receives the money owing. You are making it so the landlord has to find the tenant after he has left, because in most cases the tenant refuses to give the landlord a forwarding address.

Would you not agree it is much easier for the tenant to find the landlord and that it is much easier for the tenant to collect from the landlord than the other way around? Also, does the government plan to become the collector of the bad debts it has created and the collector of the future bad debts it will create? Why are rent review orders now being issued before any amendment is passed with the order that states, "The tenants may choose to pay the full amount of any money owing as a result of this order to the landlord immediately, or, in 12 equal monthly instalments." If you want to see that order, there are a number of them and I have a copy of one here.

I was informed yesterday by the manager of a rent review office that the rent review administrators already have the authority to make an order for the repayment of money owing to a landlord to be paid over 12 months. They claim that subsection 34(1) of the Residential Rent Regulation Act gives them that authority. It states, "The minister or the board may include in any order terms and conditions the minister or board, as the case may be, considers proper in all the circumstances."

Do any of you sincerely believe this section gives the administrator the right to order a 12-month repayment

privilege to all tenants, and if you do, then why are you attempting to amend the act? Apparently a package of information handed out at a meeting of area managers contained a memo stating that as of 29 November 1990 all orders that are more than three months in arrears are to have the choice given to the tenant to pay now or take up to 12 months to pay. So by this example, an order that was delayed by the rent review office, and is six months late in being issued, that increased the tenant's rent by \$6 per month over the guideline, the tenant who owes \$36 could pay the landlord \$3 per month for the next 12 months. Sounds like you are really protecting the tenant from the jaws of bankruptcy. Would you not agree?

Part VI-A is simply not acceptable. There are, however, the contents of part of one section that we can accept, subsection 100e(8). It states, "In determining the total rent increase that is justified on the application, the minister shall determine as a matter of fact the real substance of all transactions and activities and the good faith of the participants."

Let us go on. Where is the fairness if you wipe out section 85? You are talking about the tenant's and landlord's right to have an order adjusted if errors were previously made. Would anyone disagree that if the government made an order based on some estimates and the true amounts became known, the party to whom money was owed should not lose his right to have the error corrected?

For example, a landlord applies for a change in service. He installs electric meters and asks for a rent reduction according to the costs to the tenants and the costs to the building. If the application is processed on time, there is no scientific way to establish the exact amount of each party's share. So the administrator makes an order based on what information is before her. One year or so down the road the landlord now has the exact figures and it seems the error is in favour of the landlord and he is really entitled to \$15 more per month from each apartment. The amendment to the act would effectively disallow the landlord from having the order corrected and thereby loses \$180 per month per year. The error could possibly go the other way and you would then cheat the tenant from his right to have the error corrected.

Who wins? One side should never win over the other side. It should be fair and reasonable to both sides. You do not cheat the landlord simply because he is the landlord and you do not reward the tenant at the expense of the landlord if it is an administrator's decision that sets the rents. You would be just as wrong if you told rent review to make their orders based on the material submitted, including the estimates, and not go to the actual amounts, because two years have passed and actual amounts are now known.

Could you also please explain what is wrong with a conditional determination as in section 88. Why is it being deleted?

Please take a minute to look at section 92 and let me ask you this: You were a union person and you had just waited two years or so for your union to negotiate a pay raise for you, or you went on strike for some time and your

union negotiated a five-year contract that paid you back wages for the last two years and increases over the next three years. Let's assume you were asking for a 5% increase over and above the cost of living and you were successful. You signed the contract and collected your back pay immediately. Then, all of a sudden, the NDP came along and told you that your contract was no longer going to be honoured and you would only get less than the cost of living. Do you believe you would be treated fairly? Would your union accept this treatment? Please have the minister explain why he would do this to his union people.

1530

What will you accomplish if you remove section 86 from the act? This will mean the tenants and the landlords cannot agree together to do specific improvements to their apartments at an increased rent. The application is a joint application where both the landlord and the tenant agree to the work and agree to the rent. Could it be possible that the system is not going to allow landlords and tenants the privilege of agreeing?

Where is the fairness in using 1 October 1990 as the date to waive the magic wand when it comes to cutting off capital expenditures? Let me give you a hypothetical example of three landlords who all spent exactly the same amount of money on capital expenses. All borrowed the money from the same bank at the same terms and conditions. All followed the rules concerning capital expenditures. All did exactly the same work. All anticipated an increase of 5% above the guideline. All completed the work on 15 May 1990. All completed applications to rent review.

Landlord 1, however, submitted his application to rent review on 15 May 1990 with a rent increase date of 1 September 1991. Landlord 2 submitted his application to rent review on 22 June 1990 with a rent increase date of 1 October 1990. Landlord 3 submitted his application to rent review on 25 November 1990 with a rent increase date of 1 March 1991. Bill 4 will allow landlord 1 to collect an increase of 9.5%, landlord 2 will only receive 4.6% and landlord 3 will receive 5.4%. Is this fair? Is this protecting the tenant? Is this protecting the future of our rental stock?

May I suggest that if any amendment must be made, it allow all applications where the money was committed or the work started or where the work contracts were signed prior to 29 November 1990, notwithstanding the first date of rent increase in 1991. Think about it. How would you feel if this law is allowed to pass and your son or daughter or father or mother or even you stood to lose your entire life savings because of an illegal retroactive piece of unfair legislation being passed in the disguise of protecting someone who pays less than 15% of his income on rent? If you want to protect tenants paying 35% or more of their income on rent, then bring in some legislation that will protect them. They deserve the protection.

You will not find landlords complaining if what you do is sincere and fair and just. Let the landlords and the tenants get together to decide how they can be fair. There is a good possibility it might bring some satisfying results to amend the Residential Rent Regulation Act according to

those it affects, not simply amendments to get everyone upset.

Under section 90 of the act, the minister was allowed to order a rent higher than the amount asked for in the application so long as the material submitted justified the increase. The amendment, subsection 100f(5), will forbid the minister from doing this. Why? The only thing you will accomplish here is that the application will be for a considerable amount more than it will justify, so if an error is made in the landlord's calculation on his increase, it will not penalize him. What will you tell the thousands of owners who cannot afford to hire a consultant to advise them of the amount to ask for? Most small landlords only want to make enough to pay the bills and have a little left over for their work, but for some reason Bill 4 ignores them again and again. I cannot see any justifiable reason to eliminate this section. Can you?

Why would the minister rule equalization to be void? For example, if you had two tenants in identical apartments, each paying different rents, would it not be fair that both should pay equal rents? One tenant's rent would be lowered, the other tenant's rent would be increased by the same amount and eventually both tenants would pay the same. The landlord does not benefit from the equalization. Only the tenants with the higher rents benefit.

What about mobile homes? How much thought went into this rental market area and the proposed amendments? Does the minister realize he has effectively stopped every tenant who owns a mobile home in the province of Ontario and resides in a mobile home park from adding to his mobile home? For example, if taxes are billed to the landlord and the landlord cannot increase a tenant's rent on an individual basis, do you believe the landlord should pay the increase in taxes out of his pocket, or would you suggest he ask for an extraordinary operating cost increase in taxes and have all the tenants in the park pay for the additional rent for the addition that was put on by one tenant? I guess we have already seen several instances where the minister puts himself above the law, so it is no surprise that he would do it again when it comes to mobile home parks.

An example of what I mean can be found in a decision that upon appeal was upheld by the Divisional Court of Ontario. In *Cartwright versus Justasi*, it was decided that in the case where the tenant rents the land but owns the residence situated on the land, rent controls do not apply. Now in Bill 4 they want to pass an amendment retroactive to 1 January 1987 that puts a rented site for a mobile home on a single-family dwelling under rent control, even though the tenant of the land owns the dwelling. So with the wave of his magic wand and the stroke of his pen, the minister bypasses the courts and sets himself up as the judge of the land and makes a law nullifying the court's decision. Is this legal? What happened to 1 October 1990?

Our conclusions and recommendations are:

1. Bill 4 is an extremely bad piece of proposed legislation and should be scrapped in its entirety.

2. A new bill could be introduced to protect tenants from large rent increases and allow fairness to prevail. For example, the date for all amendments being 29 November 1990; a cap on rent increases, for whatever reason, to be

not more than 5% above the annual guideline until such time as new permanent legislation can be enacted; a consultation process put in place to have landlords and tenants and any other affected parties get together and agree on the future of rent review in Ontario.

We at the Waterloo Regional Apartment Management Association sincerely believe that those problems concerning a very small number of landlords can be solved by negotiations, and that it is totally unnecessary to use a gigantic sledgehammer when a fly swatter will solve the problem.

Thank you for listening to our presentation and we truly hope our concerns will allow you to make changes, to defeat the proposed legislation and bring in more suitable amendments.

Mrs Y. O'Neill: I really appreciate your presentation. You are one of the very few presenters who have gone through the bill clause by clause. I trust that will be very helpful to us when we do the same ourselves and I do hope that some of your amendments will be put into place, because there are certainly many that I can agree with.

First of all, I want to thank you for your flexibility on where you were going to present to this committee. I am very happy that something clicked and we did have you as witness.

I think you have shown as well as anybody—certainly, as I say, with more attention to the actual bill—that there are two sides to this issue. There are indeed two sides and two perspectives on what is fair. There is one part of the bill you brought forward and a group of people who are affected by this bill. You have brought forward those who are living in mobile homes. For the most part, these are people on very limited incomes. They are, as has often been talked about, real people. They are people who do not have a lot of flexibility and this bill certainly, as you have shown, gives them very little in the way of incentive, indeed in the way of a licence, if I may use that word in this context, to put improvements to their very modest shelters. I want to thank you, and I know that your witnessing will be helpful to this committee.

1540

Mr Mahoney: I wonder, Mr Eby, if you could provide us with a little more information on the group you represent. The concern I have is that there has been an attempt to paint the landlords as all either numbered, secretive corporations or huge corporations with millions and millions of dollars. I have no argument against groups like the Parkdale people who were here showing us examples of the terrible kind of conditions they have been subjected to, but I would like to know, particularly outside of Metro, in an area like yours, what a cross-section might be of the type of person you represent, the landlord.

Mr Eby: The Waterloo Regional Apartment Management Association, as I indicated, our mailing list is about 200 people, 90% of whom own less than 10 units. So the largest majority of our people are very, very small landlords, one unit, two units, three units, five units, six units, that kind of thing. There are only a very, very few of them who own large numbers of units. I think the only reason

why the few large landlords actually joined our association is that we put out a very nice newsletter called Suite Talking, for which some of you, I believe, are on our mailing list. They want that newsletter, so they joined to get it.

Mr Mahoney: We have seen examples here, the last couple of days particularly, of people who have emotionally broken down. We have had actually during the committee to allow for composure to be regained, and it has to do with obviously individuals. We had a young man here earlier this morning speaking on behalf of his mother and dad who have put their life savings, and not only their equity dollars but their sweat equity, into the building that they own. They had some \$385,000 in outstanding orders that were given a conditional approval and now of course it is just retroactively stripped away by this legislation. Do you have examples of that in your group and in your area, where people had either conditional approvals or spent money anticipating that they would be able to get rent increases to cover those costs and now face potential disaster?

Mr Eby: We have a number of landlords who have done work and are faced with this 1 October deadline. We have recently had a meeting where there were some, a large number, of letters written. I believe Mr Cooke, Mr Tilson and Ms Poole all have copies of those letters from members of our organization, several of whom are in the same predicament as the gentleman who was here this morning.

Mr Mahoney: I think Mr Brown has a question, so I will defer to him.

Mr Brown: If in fact Bill 4 does become law in its present state, can you conceive of your membership investing in or building new apartment units over the next year or two?

Mr Eby: I believe that large numbers of them will probably want to take Mr Rae up on his offer to buy us out. They will not build, no.

Mr Brown: So in your opinion Bill 4 will restrict or cause even more shortages in affordable units in this province than it will create.

Mr Eby: Yes, it will definitely do that.

Mr Tilson: Sir, I appreciate your thoughts on this. As Mrs O'Neill indicated, I think we will all be using some of your comments in reviewing the clause-by-clause amendments. I think your paper and presentation will be most useful in that regard. I think you have said it all: Where is the fairness? I think that is really a summary of what you are saying, and that is what our party has been saying too.

I have one specific question which you did not really deal with, but in your communications with various landlords in your community, last year's guideline was 4.6%. The current review provisions state that 1% of that would be for normal maintenance. I do not know what knowledge you have of rental income among your membership—you probably have some idea—but based on that, can you inform this committee of your thoughts as to how much money under the current system a 1% increase would provide for general maintenance and repairs?

Mr Eby: You got me at a loss. I have no idea what the cumulative amount of income is to our members in their units. But if you take a building that generates an income of \$100,000 a year and you take 1% of that, then obviously \$1,000 of it will go towards maintenance.

Mr Tilson: That is my point, and I think that is the concern that tenant after tenant is talking about.

Mr Eby: Sure, we could replace the roof and the walls and all that other stuff with a thousand bucks.

Mr Tilson: Right, and of course this legislation is even doing away with the encouragement of capital expenditures. Again, it gets back to your general question: Where is the fairness?

Mr Eby: If you change the rules and change them tomorrow, we can deal with it. If you change the rules and make it yesterday, we cannot deal with it.

Mr Mammoliti: I am just going to respond to some of your comments in your presentation here, sir, and then I am going to follow up with a question. First of all, I want to respond to your stating that Bill 4 is unreasonable and perhaps even illegal. Sir, just so you know, the government has checked with its lawyers and feels it is not illegal. We have gotten some advice that we are happy with, and as far as we are concerned it is not illegal, it is legal.

Second, I want to address the point you made with the jaws of bankruptcy, and you referred to \$36, sir, and \$3 per month. I can give you hundreds of examples where people literally look forward to \$3 a month and rely on \$3 a month for two meals. So \$3 to them could mean bankruptcy, and this government certainly cares for those people, obviously, because this is the sort of legislation that is needed to help them. That rent has impact when it comes to \$3, and \$3 could mean life or death for some people. I just wanted to point that out.

On the aspect of negotiations and how we would feel if we were union persons, I come from the labour movement and the previous government did do this to us at one point. I believe it was 1984, if I am not mistaken—1985. So it has been done, sir, and the previous government did it to the people out there. When you talk about contracts that have been signed and sealed and delivered, it has been done.

You say that Bill 4 is detrimental to you and your colleagues. Are any of you looking for shelter or perhaps out on the street because of this legislation? Are you relying on food banks because of this legislation? Are you aware that there are thousands of people out on the streets because of previous legislation and are seeking shelter and food banks?

Mrs Marland: Wait till the ones are out on the street because of this legislation.

The Chair: I just remind all committee members of what they have been telling me right along about keeping everything as close as possible to Bill 4. I am going to allow as much latitude as members wish.

Mr Mammoliti: I am referring to his comments in here.

The Chair: I understand that. I am going to be reminded in the near future, so I am reminding committee members.

Mr Mammoliti: Those are the two questions I would like to ask.

1550

Mr Eby: When you talk about our suggestion that your bill was illegal, we would like perhaps that you put it to the test. When you talk about \$3 a month needed by those people, we totally agree with what you are saying, that there are thousands who require that \$3 a month, absolutely, and we are also saying that you have to bring in a system to give them the three bucks. But it also goes on to say that you do not go and bomb the whole bloody province because of a very few people. You help the few people who require the assistance and you stop the sons of guns who are doing the wrong stuff, but you do not do it to everybody.

The Chair: Thank you. Ms Harrington.

Mr Eby: He also had something to say about unions and I would like to respond.

The Chair: Order, please. Ms Harrington.

Ms Harrington: Mr Eby, thank you for coming. With regard to that last point about there being very few people who need help, 30% of the tenants in the province pay over 30% of their income for housing, so there is a broad spectrum of people in this province who do need help. I want to thank you for your in-detail work on the bill. I see our staff people here having a very good look at what you have proposed and we will certainly look at all of those angles you have proposed. I did read your bulletin on the weekend. It was most interesting and I understand that tomorrow morning you are having a breakfast with the minister, so you are able to get at him even if we cannot, so you are quite lucky.

I wanted to assure you about Bill 4 because, in here, you very strongly put in a couple of places the same thing, that landlords and tenants get together to decide how they can be fair; I guess the whole situation can be fair. Then again on the last page you say that a consultation process must be in place to have landlords and tenants and other affected parties get together and agree on the future of rent control in Ontario. I certainly 100% agree with you and that is why we have this interim Bill 4 as merely a breathing space so that we can get everyone together.

In fact, just when you were sitting there and we rudely interrupted you a half-hour ago, the idea of this legislation right now and stopping this discussion of the bill and going on so that we can get into the long-term legislation discussion is why we are trying to proceed so rapidly, so that all spring and all summer we can get all the parties together and try to get this permanent legislation in place before the end of the year. So we do need your help.

Mr Eby: The suggestion that you make that Bill 4 is there for the purpose of an interim situation, I fail to see where the justification is to backdate your bill to yesterday. If you want to put in something to stop something from happening as of right now, then you make it for tomorrow.

If we took the video cameras on Highway 401 and spotted every car that was speeding back in November and then you made legislation that said speeding as of 28 October was illegal and you sent all of those sons of guns tickets, are you telling me that is fair and reasonable? That is what your Bill 4 is doing.

Ms Harrington: I would just like to tell you what Bill 4 is in fact doing. We took 1 October 1990 as the date, and as of that date 130,000 rent increases are still going through. That is not fair either. I wanted to ask you, in your particular building, how much have your increases been?

Mr Eby: I am one of those landlords who has had to wait for the system. I have had three applications in. I have just received in the last month the order for an increase which is three years old. I have two more applications still in the system.

Ms Harrington: What would be the per cent of that increase?

Mr Eby: One is at about 9%; the next one is at about 12% and the last one is at about 10%, I believe.

Ms Harrington: Those, all three together, are now retroactive and people have to pay that amount, which would total something around 40%.

Mr Eby: Before we ever instigated the orders, we went to the tenants and said: "Pay us the money. We will put it away, and if in fact it doesn't come in where it is we will pay you back the money." The first one came back \$3 more per month than what we had asked for.

Ms Harrington: But I would like to make it clear that you had a 40% increase.

The Chair: Order. Thank you very much.

Mr Eby: And we have given them 80% more building than they had four years ago.

The Chair: Actually, I have added two minutes to the questioning time because I knew that your brief had generated great interest. Thank you for appearing before us today. We have to move along and hear the next delegation. We appreciate the time and effort you took in compiling your brief.

Mr Tilson: On a point of information: I guess I am looking for some sort of response from Ms Harrington, as the parliamentary assistant to the Minister of Housing. It has to do with these hearings.

Today there was a news release by the Minister of Housing wherein he announced an expenditure of part of the \$700-million antirecession initiative that the government has been speaking about and, specifically, a \$35-million package towards the housing industry.

One of the areas had to do with \$15 million to upgrade, and I am reading from the press release: "\$15 million to upgrade as many as 3,000 private rental units in older low-rise apartment buildings." The minister states, "This is necessary work." Then he proceeds by saying: "Rehabilitation of low-rise buildings: Under the ministry's low-rise rehabilitation program, landlords can apply for forgivable loans. The loans cover up to two thirds of the cost of repairs up to a maximum of \$5,000 per unit. Only essential

repairs to such things as plumbing and replacement of defective wiring will be considered. Private rental buildings of four storeys or less that are at least 25 years old are eligible. Rooming houses are also eligible."

The Chair: What is your point?

Mr Tilson: My point is whether Ms Harrington, as the parliamentary assistant, can tell this committee if this means that the government now realizes that the work we have been hearing about for the past two weeks is indeed as necessary as the ministry says.

The Chair: Order. I do not particularly see that as a point of privilege or a point of order.

Ms Harrington: I plan to respond quickly.

The Chair: If Ms Harrington wishes to respond, I will allow it and then we will continue.

Ms Harrington: Certainly we agree that this necessary work should be carried out and this statement that the minister has released today shows the obvious goodwill of this government to the small landlords who need necessary repairs.

Mr Tilson: If the minister wants on the one hand to freeze these expenditures, on the other hand to give loans out, I do not know why we are sitting at these hearings.

Ms Harrington: We are not trying to freeze renovations or restorations.

Mr Mammoliti: On a point of order, Mr Chairman: I still do not see how this is relevant to Bill 4. We are here to discuss Bill 4 and hear the public. It is not relevant, as far as I am concerned.

The Chair: I believe the first point was relevant and the response was relevant, but we cannot have lengthy debate on this, Mr Tilson. I have allowed you to make your point to the full extent possible. I do not see where we would get by continuing the debate at this point in time. I think everyone has heard your comments and they have heard the response. I would like to continue.

Mr Tilson: I think that because of this press release, in view of the government's recognition—and it certainly is recognizing the need to encourage capital expenditures in the private sector, and specifically apartment buildings—I would think this committee should recommend that Bill 4 be repealed.

The Chair: Order. We are going to continue. I believe at my request the clerk has distributed two further pieces of information which were requested by committee members. One is dated 22 January signed by Anne Beaumont. It is a short document with a one-page attachment. The second is a similar document dated 22 January signed by Anne Beaumont but much lengthier in its contents. We are trying to get to all committee members all information as quickly as possible and we really appreciate the effort that the Ministry of Housing staff have put into providing this information in detail as quickly as they have.

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KAY GARDNER

RICHARD FINK

The Chair: We are at the stage in the agenda where Councillor Kay Gardner is scheduled. I would call the councillor forward and would ask all those before the committee to please identify themselves and any organization they may be representing. The clerk has scheduled you for 40 minutes, 20 of which can be used for an oral presentation and 20 minutes will be reserved for questions and answers from committee members and presenters. The floor is yours.

Mrs Gardner: Before I begin, I want to tell you that there are about 200 people upstairs in a room, tenants who came here from my ward wanting to be part of this meeting, but unfortunately they are left upstairs.

The Chair: Order. No one is being left out. The people upstairs are watching the proceedings live. That is why the room upstairs and the room in the east wing were made available. We have had overflow. This is not the first time. It was at my instruction that the clerk made overflow available early in our hearings. We are very happy to have you and all those who came with you. We hope all will be pleased with the presentation this afternoon and with the committee's questions and answers.

Mrs Gardner: Thank you for providing that room, but as you can understand, it is not quite the same. Thank you, in any case.

The Chair: Order. Just so we do not leave a misunderstanding with the general public, because these are public hearings, there is no room in the Legislative Building set up for committees which is much larger, if any larger, than this room. We have television cameras here in this room, which means that tens of thousands of people can participate in our hearings by watching the proceedings. We have French translation available for people who wish to hear the proceedings in the other official language. And there is no other place to do it, so please proceed.

Mrs Gardner: I have come here today with some of my neighbours, more than 200 of them, from ward 15 in the city of Toronto, to express our strong support for Bill 4 and the moratorium that will curb huge, unreasonable rent increases. As our signs say—and we had our signs on the bus but we could not bring them in—"We're for Bill 4."

This is a new role for us, because in the past we have come not to praise new rent legislation but to bury its worst aspects. We were here in September 1986, more than 200 of us, to criticize harshly the present rent review legislation on the eve of its passage. We said then it would be a disaster for tenants. Our warning was ignored, and indeed it has been a disaster for tenants, and for some tenants a catastrophe.

Now we have a new government. This time, we believe, tenants as well as landlords are to be given a fair deal. Yes, we, too, are for a fair rental policy, but fair not just for landlords but also for tenants.

Under Bill 4, landlords will still take in plenty of money to maintain their buildings and to pocket a healthy profit.

The most eloquent description of what has happened to tenants under the present legislation has come not from a tenant advocate but from a judge of the Ontario Supreme Court, Mr Justice Allan Hollingworth. After hearing the now well-known case of the Balliol tenants, Mr Justice Hollingworth said, "Tenants are terrified of substantial increases in their rents which they cannot afford."

Indeed, tenants are terrified. So many seniors who have come to my meetings, who have phoned me or written to me, do not know how they can make ends meet when so much of their income must be spent on rent. The continuing impoverishment of tenants, young and old, is a sad reality. In December, a report from the city of Toronto's commissioner of planning quoted from a study made in 1986 which revealed that 68,600 tenant households in the city of Toronto faced affordability problems and that the situation today was "relatively worse," which means they really cannot afford to pay their rent. The tenants were in fact spending more than 25% of their income on rent. Some poor people are paying 40%, 50% and even 75% of their incomes just to keep a roof over their heads. And people wonder why, in this rich society, we must have food banks.

There are thousands of elderly men and women whose savings have been ravaged by inflation and who are forced to skimp on other necessities because of the high rents they pay. They have been robbed of the peace of mind that should be their right to enjoy in their old age.

I could spend a whole day recounting harrowing stories of distress told to me by tenants young and old. One woman of 90 was completely bewildered by 24 pages of documents sent to her by rent review. It was a masterpiece of the bureaucratic art, column after column of numbers and arcane headings only a chartered accountant could understand. One item included in the tables is entitled "Relief from Hardship." That is relief for the landlord, hardship for the tenant.

"What did it all mean?" she asked me. It meant that the rent had been increased by roughly 10% a year each year for the next three years. Her rent had increased by \$254 a month from \$780 to \$1,034 and she had more than \$1,000 in back rent to pay. "All I want," she told me, "is a little peace of mind. Why must they be so greedy?"

Why these yearly increases amounting to more than double the annual guideline? They are attributed to the so-called financial loss. And what is the cause of this loss? Let me read from the rent review order: "The financial loss amount of \$193,896 is due to increased financing costs resulting from a purchase of the residential complex."

My elderly friend asked me: "Why should I have to pay \$3,000 more a year in rent just because I have a new landlord? Has my apartment become larger? Has it been painted? Has the building been repaired or renovated?" The answer to all these questions is, of course no, no and no. The sorry fact is that none of this money, not a penny, will be spent to improve her shelter. This building is in fact poorly maintained and neglected. Yet the rents have not

been neglected. One fifth of the 85 apartments rent for more than \$1,000 a month and rents go as high as \$1,470, a disgrace considering the condition of the building.

This building has been flipped six times between 1975 and 1988, the purchase price rising from \$1,740,000 to \$5,890,000. Each time the price has escalated mortgage costs have escalated, and the tenants have had to pay for these. This speculation in people's homes and lives creates poverty among single mothers, families and old people.

The Tenant Advocacy Group, which did appear before you, describes the worst aspects of the present situation so well in its brief to your committee that its words are worth repeating: "The financial and economic loss allowances rewarded land speculators, penalized tenants and raised rents at double or triple the rate of inflation."

The wounded cry of the landlords is that Bill 4 provides no money for maintenance and repairs. In no time at all, they claim, buildings will decay, creating instant slums. What nonsense. What utter nonsense. This is the howl of the wolf deprived of another attack on his prey, the almost powerless tenant. It is a naked scare tactic, which some landlords have escalated into a cold war against tenants by the unprincipled threat of a maintenance strike.

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The truth is that tenants have a legal right to a properly maintained home. The truth is that they have always paid enough rent to cover the cost of proper maintenance and the truth is that they will continue to pay enough even under Bill 4. The trouble is that not a few landlords have pocketed the money intended for maintenance, fattening their profits and letting their buildings go to pot.

Tenants are the best authority on how their homes are to be looked after. Let me quote from two letters I received from tenants on the same day last week. A woman wrote: "I've lived here more than 13 years and they have done absolutely nothing about upkeep. They just pocket the money." And a man wrote: "The owners haven't done any repairs for 20 years except to fix elevator breakdowns and absolute necessities. The building was paid for many years ago. Some gravy train!"

Landlords have been treated generously by rent review. Average increases granted landlords who sought amounts above the guideline during four years of the present legislation are 11.1%. Of course, tenants may always appeal the initial increase, and that is another sad story. During its last fiscal year the hearings board heard 573 appeals. The initial increases in these cases averaged 10.54%, and the appeal board increased the average by more than 1% to 11.64%. It raised the rent in 244 cases and decreased the rent in only 109, a victory rate of 2 to 1 in favour of the landlords. Some appeal system. Rent review gives tenants a life sentence and the appeal board increases the penalty to death by starvation.

Ontario landlords collect \$8 billion a year in rent—let me repeat this: \$8 billion a year in rent. According to the Minister of Housing, about one third of that amount is left over to pay for maintenance, repairs, financing and profit after operating costs have been paid. This amounts to more than \$2.5 billion a year. Think of it. For the last 15 years of

rent review these billions of dollars have poured in, providing fat profits and plenty to pay for repairs.

Responsible landlords have recognized this and have looked after their buildings. Bill 4 will not penalize these good landlords, but Bill 4 will call to task those operators with an eye only on the fast buck who neglect their buildings and their tenants. Indeed, Bill 4 will bring new stability to the apartment industry, which will be good for those owners who wish only to conduct a principled, profitable business.

It will hit those landlords who play catch-up, a game that forces tenants to pay double for maintenance. These landlords neglect their buildings for years and then get huge increases to carry out major work. My almost 15 years of helping tenants has taught me that the owners of the best-kept buildings in my ward and in Toronto as a whole are the least likely to seek rent increases above the guideline.

A word about the latest gimmick for raising rents, luxury renovations. How wasteful this can be. One owner in my ward ripped out all 132 stoves in his building as part of a renovation project for which he seeks an increase of more than 30%. Across the street is a building that is identical. There has been no wholesale scrapping of stoves.

Bill 4 will put a stop to this outrageous waste and the fleecing of tenants. We support Bill 4 because it is fair, fair to tenants and fair to landlords. The present legislation is tilted wildly in favour of landlords and against tenants. Bill 4 will help to restore a balance. Bill 4 means healthy profits for landlords and plenty of money for maintenance. We cannot afford to go on with this present unfair system. "Indeed," a tenant wrote to me last week, "most of us who work do not get wage increases to match the yearly rental hikes." We risk the most cruel social consequences if we do not stop this widening abyss between income and the cost of shelter.

I can assure you that the tenants of North Toronto and Forest Hill not only support the moratorium but demand it be enacted. In the last 10 days I have sent letters to my ward and have received 1,700 replies, which I have brought to show you. I will turn them in to the minister. All these people individually signed and mailed to my office—they had to buy a stamp and put it in an envelope, 1,700 in 10 days—all supporting the moratorium from one ward, ward 15 in North Toronto.

[Applause]

The Chair: Order. There will be no outburst in the committee room. Mr Fink, you have about a minute and a half left for the presentation.

Mr Fink: I will not introduce myself, because I do not have any time. I have sent in a written submission; I hope you will have a look at it. I made it double spaced, only two pages long. I only have one important point for you.

Section 100g of the amendment act, Bill 4, contains a very important provision. It allows tenants, where their buildings are falling down, where there are work orders against their buildings, to bring their own application to rent review for an elimination of even the 5.4% increase. This is a section designed to allow tenants to try and force

landlords to do repairs even in the current situation, where there are no bonuses for landlords who do such repairs.

Currently, we represent 3,000 tenants in our office who had all work stopped on their building on necessary concrete and structural renovations. They are facing buildings which are literally falling down. Section 100g allows these tenants to apply to rent review and ask that the rent increase be decreased from 5.4% to 0%. Some of its provisions are new. Unfortunately, tenants throughout the province do not know about this provision. It has not been advertised and the time limit for making the application, even as I speak, is expiring for many thousands of tenants.

Finally, the landlords in the past have blocked a similar provision under section 94 by bringing a landlord counterapplication. In other words, you bring a counterapplication and it blocks the tenants' application. Counterapplication is a loophole in the law. If the landlord brings an application for rent increase, he blocks the tenants' application. This loophole should be eliminated. The tenants' application should stand on its own. If the tenants bring an application saying there are serious deficiencies in their building and they want the rent increase lowered to zero, the landlord should not be allowed to block that application. Current legislation should be amended slightly to stop those blocks.

Mrs Marland: Councillor Gardner gave a figure of \$8 billion in rent in this province. Do you have a figure of the investment by the private sector in rental buildings in this province also?

Mrs Gardner: I do not have it here, but it is available at my office if you wish me to send it to you.

Mrs Marland: You talked about responsible landlords and wanting to be fair to landlords and tenants. The position I am coming from is that I think it is terribly important that landlords and tenants are protected. The concern I have is that this bill does not protect even the tenants you are here representing today. Can you tell me—and certainly from your position on council you are faced with issues on a daily basis more than average people are—where Bill 4 will protect your tenants from the major problems and issues of tenants today which you know first hand exist?

Do you feel, as I do, that Bill 4 in fact misleads the tenants in this province into the security of thinking that because they do not have to pay any increase above the set rate in their rent, that they then will not have to face the continuing problems of those buildings which even today, without this legislation in place, they should not have to face?

1620

Mrs Gardner: Bill 4 is a moratorium which will keep the lid on all further rent increases above the guideline. I have presently two buildings in my ward, one I mentioned in my brief, the building where the landlord ripped out all the stoves. They have gone for a 30% rent increase, 15% each year. They have paid the first 15%, but Bill 4 will stop the second 15% so it will help those tenants. Another building just up the street from this particular one is a building where the landlord

has gone for a 50% rent increase. He did a lot of work illegally. He ripped out tenants' locker rooms, put in illegal basement apartments and so on. Those tenants are not going to pay the 50% increase now. The moratorium has stopped that.

I hope the moratorium will give us time, for landlords and tenants, to create some new legislation that will be fair to both parties. The present legislation does not work. It punishes the tenants. Everything is passed through. What upsets me so much is those landlords who come here screaming that no money is allowed for renovations. Since 1975 they have had plenty of time to renovate their buildings. The moratorium has only been here since 1 October. Those landlords who are really serious in renovating the buildings and keeping them up to date have done so until now. The ones who have not done so are the ones who are the gougers and the flippers and the ones who are not good businessmen.

The best buildings in my ward, and I could take you on a tour, are buildings beautifully maintained that have not gone to rent review. I am a tenant. I have lived in the same building for—

The Chair: Thank you. That is a full and complete answer.

Mr Tilson: You stated several weeks ago that you believe the province of Ontario should take over all residential units in the province, maintain them and rent them out as affordable housing. Is that correct?

Mrs Gardner: No, I never said that. That must be somebody else you are quoting. I have never said that. I have never believed that. I would never say that.

Mr Fink: I have said that.

Mr Tilson: Mr Fink said that. Maybe I will ask your solicitor, Mr Fink.

Mrs Gardner: He is not my solicitor. He is solicitor to the tenants who pay him and hire him.

Mr Tilson: Mr Fink, can you tell us at what cost that would take place? How would the province of Ontario do that?

Mr Fink: Tenants today are paying for their own buildings through these large rent increases. Tenants in some cases have paid for their buildings three times over. The rents already have within them a large cost basis to pay for the cost of buying the buildings.

Mr Tilson: I can tell you I do not think the majority of the tenants in this province want that sort of arrangement, because their taxes would go sky-high. I guess my question is to you, Mrs Gardner. Are you not the councillor who was involved in an apartment building in the Bathurst and Eglinton area several years ago where the city of Toronto took over that apartment building?

Mrs Gardner: I was the one. I was a happy lady when some tenants came to me and said their building was going to be torn down and turned into a condo. I spent five years fighting for that building, saving it, and embarked on a new career.

Mr Tilson: Good for you, Mrs Gardner. I wish you well in your political career. I will say, though, I also recall

reading that after the city of Toronto did that, the rents doubled.

Mrs Gardner: Not true.

Mr Tilson: Okay, I pass.

Ms Harrington: It is indeed a pleasure to meet you and Mr Fink. I would like to start off by apologizing to the very many people who are here and who could not be in the room. It is much more a part of the meeting to be here and to be part of the whole proceedings. It is unfortunate this whole building does not have a room to accommodate us. Maybe we should look into that.

Mr Mahoney: Renovate.

Ms Harrington: Yes. The suggestion was made to renovate.

I would like to start off by thanking you for a very powerful and most eloquent presentation. You have said it all. I do not know what else I can say. It echoed what I heard yesterday and it just reinforced it. That was the statement that, "I feel as though this city where I lived all my life is being raped by speculators and developers." There are very many people, I guess, who do feel that way. I want just to make one other little remark. As you were going through your presentation I thought to myself, why do we not have a course in how to be a landlord? Do you not think we need some training or even maybe a licence or a degree to be a landlord? I will pass to my colleague.

Mr Duignan: Thank you, Councillor Gardner, for coming here today and expressing so forcefully and so well the need for Bill 4 and the protection of tenants to restore that balance that does not exist there today. Hopefully your presentation today and the tenants who came with you will impress it upon my colleagues across the floor to wholeheartedly support Bill 4 and to restore some fairness to the tenants of this province.

Mr Mahoney: That was quite a show. I was impressed with the forcefulness of the comments. Obviously it is an issue that you have been actively involved in for a number of years. I would like to ask you, though, let me put it this way, the capping of the rent increases is quite obvious in Bill 4. The moratorium on that I understand. That is basically what I have heard you speak to, the fact that this bill, in your view, puts a cap on and the moratorium and protects your tenants from unconscionable rent increases.

You say, however, and I refer to page 13 of your proposal, "But Bill 4 will call to task those operators with an eye only for the fast buck and who neglect their buildings and their tenants." Leaving aside the operators looking for a fast buck, because I am sure we would agree that that is not something we want to support in this province, I am concerned about how tenants will be protected from the unscrupulous developers, some examples of whom we have seen here in this committee. Parkdale has been very representative in our hearings. We saw photographs earlier today of the type of living conditions that no one would want to live under.

Yet I see nothing in the bill, and your exuberance for the bill leads me to believe that you must see something, that allows for the government to get at those landlords

who are not maintaining their buildings properly on behalf of their tenants. What I would like you to do is leave the rent increase issue alone and tell me how Bill 4, to use your term, "calls to task" those landlords such as the ones we heard about earlier.

Mrs Gardner: I believe Bill 4 is only a moratorium to give us a chance to bring in some new legislation that will protect both landlords and tenants. I hope that you will invite us perhaps, Richard and I, to help you when you are drafting that legislation, to make it fair to tenants. Bill 4 is a breathing period. Stop these unconscionable rent increases, now 40% and 50% and more, and let's go to work on something that will be fair for both parties.

Mr Mahoney: So we agree that Bill 4 indeed does not call to task those—

Mrs Gardner: Yes, it does. It has deprived two landlords on my street from getting huge rent increases.

Mr Mahoney: Just a moment. I asked you—

Mr Fink: Under section 100g.

Mrs Gardner: Under 100g, as Richard has pointed out. Do you want to answer that question, Richard, seeing as you know the legal implications of it? But sure it has.

Mr Mahoney: If I want to ask a question of him, I will.

Mrs Gardner: Okay, I am sorry.

Mr Mahoney: I asked you specifically how Bill 4—and if you can show me I would be delighted—calls to task landlords who are not maintaining their properties. I am trying to separate it into two distinct issues if I can, the one being the rent increase cap, the other being your suggestion that these people are being called to task. Tell me how.

Mrs Gardner: Okay, tenants who have paid a lot of money in rent increases and who have not received the maintenance now can go to rent review and ask that a zero amount be given in their rent. That is one way it can work now, immediately.

Mr Mahoney: With respect, and I am not attempting to cross-examine you—

Mrs Gardner: No. It is all right. I do not mind.

Mr Mahoney: I respect the fact that you represent your constituents. Obviously you do so with vigour.

Mrs Gardner: Thank you.

1630

Mr Mahoney: I was a councillor for 10 years and know a little bit about what you go through.

But with respect, that answer refers to the rent increase. What we are hearing and have been hearing from some tenant groups is about the terrible living conditions that they are enduring. In my view, they are coming here and being very directly misled by the government that this bill in some way is going to force the landlord to fix their problems. It may stop the landlord from getting a rent increase, but tell me how it is going to force the landlord to fix the problems?

Mr Mammoliti: On a point of order, Mr Chairman: I take offence to that statement.

The Chair: Order, please.

Mr Mahoney: If you take offence to that statement, I must have said it correctly.

The Chair: What is the point of order?

Mr Mammoliti: The point of order is, I take offence to that statement.

The Chair: That is not a point of order.

Mr Mahoney: It is a point of offence.

Mr Mammoliti: Mr Chairman, listen—

The Chair: I am listening.

Mr Mammoliti: I do not think that is called for in these hearings. We are not misleading the public. We are representing the public.

Mrs Marland: That is not a point of order, and this is the real world.

Mrs Gardner: I will answer the question here.

The Chair: Order, please. Mr Mammoliti has the floor on a point of order.

Mrs Gardner: Sorry.

The Chair: He is not finished and, when he is finished, we are going to decide if it is a point of order.

Mr Mammoliti: We are representing the public with this piece of legislation, Mr Chairman. We are not misleading the public, and I take offence to that statement. So does the government, for that matter.

The Chair: Thank you, Mr Mammoliti. That really is not a point of order, but you have made your point just the same.

Mr Mammoliti: Thank you.

The Chair: We are going to add about a minute to your time, Mrs Gardner, for this series of questions. Please proceed.

Mrs Gardner: It says here: "An order may provide that no rent increase is justified." Tenants may dispute increase permitted under section 100c.

"100g(1) A tenant may apply to the minister in the prescribed form to dispute an intended rent increase that does not exceed the amount permitted under section 100c....

"(3) The minister shall consider the following factors on the application:

"1. A deterioration in the standard of maintenance and repair that affects the rental unit.

"2. A discontinuance or reduction in the services or facilities that are provided to the rental unit.

"3. The degree to which the rental unit complies with the maintenance standards for the municipality in which the rental unit is located if maintenance standards have been established by bylaw.

"4. The degree to which the rental unit"—

Mr Mahoney: Mr Chairman, with respect, I can read the bill.

The Chair: Order, please.

Mrs Gardner: So all these are reasons for not giving any rent increases. That will help.

Mr Mahoney: I guess I am having some difficulty in getting the understanding of my question out. I understand that the bill deals with rent increases.

Mrs Gardner: Right.

Mr Mahoney: Okay. I have read the bill and I understand that the minister can turn down a rent increase, give zero rent increase, reduce the rent increase, go with the cap, and do all of those things. You have stated that we are going to be called to task and other people who have come before this committee have stated that they are in support of the bill because it is going to alleviate all of the problems of maintenance in their buildings.

I would like to see someone of your stature put forth an amendment that would indeed do that, an amendment that I just might be able to support if it was put forth properly, that would indeed call unscrupulous landlords to task. It has got nothing to do with whether or not they get a rent increase. It has got to do with the mice and the cockroaches and the terrible conditions that these people are living under.

These people are being led to believe that this bill will somehow affect that. With respect, I do not understand how, and I am asking you not to deal with the rent increase and not to read me the section of the bill that says what a minister can or cannot do, but to tell me if this bill, yes or no, provides some mechanism either to the municipalities to help them enforce their property standards or to tenants' associations to help them take action in some way in the courts and use the bill as an example of why the court should rule in their favour. Does it in any way, anywhere, in any section address that issue?

Mrs Gardner: The bill is a moratorium which has helped many tenants already to freeze huge rent increases, two on my street right now, and of course many others in the ward. I am hoping that the government will in this time bring in such legislation that will deal with the problems that tenants have been faced with.

Mr Mahoney: In other words, this bill does not do that.

Mrs Gardner: This is a stop to give us time to draft a new bill.

Mr Mahoney: But it does not address those issues.

Mrs Gardner: I hope my confidence is not going to be misplaced, but I believe this government will bring in a bill. If I am correct in assuming that in fact that low-rise rehabilitation program has been reinstated, I am very delighted to hear that because it is a valuable program and we are glad—

Mr Mahoney: Am I out of time?

The Chair: I am glad that everybody knows what this means. It means keep on talking, I guess. No, that is for all the committee; that is for everyone, Mrs Gardner. It was not just for you. I really appreciate your coming today. We have enjoyed your brief, and the gentleman who is with you also gave the committee some very important information. Thank you for coming. The committee has to move along.

Mrs Gardner: Thank you, Mr Chairman. I was very happy to come, and if I can be of any help in framing the new bill, I am available.

[Applause]

The Chair: No public demonstrations are allowed.

Mrs Y. O'Neill: There was a statement made just at the close of the remarks that the low-rise rehabilitation program has been reinstated and there were nods of heads from the government. I asked that question last week when the ministry officials were before us and I was told that the low-rise rehabilitation program's funds were depleted. May we please have an update from the ministry officials about the status of that program? My constituents are very interested in that program.

The Chair: That is a good point of order. Can Anne Beaumont come forward, please?

Ms Parrish: I am not Anne Beaumont, but I can come forward.

The Chair: Anne has been sending all the letters. Just identify yourself for the record.

Ms Parrish: My name is Colleen Parrish. I am from the Ministry of Housing. It is my understanding that increased funds to the low-rise rehabilitation program were announced as part of the \$700-million program that the Treasurer spoke about earlier. I am afraid I do not have the exact details right here, but I can phone back to the office and try to get the material for you this afternoon or first thing tomorrow morning.

Mrs Y. O'Neill: I would certainly like to have a breakdown. It is a program that was taken up in my riding quite extensively. It seems to be new information today. I would like to see it broken out from the \$700 million.

Ms Parrish: I believe it is \$15 million.

Mr Tilson: On a point of order, Mr Chairman: I raised this issue and I was told it was irrelevant. That is what I read. That is the very subject that I read this afternoon.

The Chair: I did not say your point was irrelevant. I allowed discussion on your point.

Mr Tilson: I read the very information that she is talking about in the press release that the Minister of Housing gave, and the government officials told me: "That's irrelevant. Let's not talk about it. Let's get on with the hearing."

Mrs Y. O'Neill: One of the things I would suggest that maybe our witness could provide us with is a copy of the press release, if Mr Tilson thinks that is what we are being referred to. I would certainly like to have an update as of 22 January of what the status of this very popular program is.

The Chair: I would just like to say to Mr Tilson that I allowed you to read completely from the press release.

Mr Tilson: You did.

The Chair: There was some discussion and then we moved on.

Mr Tilson: Mr Chairman, I am not berating you. That is the last of my wishes.

The Chair: Any further discussion on that point of order? I guess there is consensus that we are going to obtain this information requested by Mrs O'Neill.

Mr Tilson: I have the press release if members of the committee want to look at it. I thought everyone had it.

Mrs Y. O'Neill: Maybe we could ask the clerk to copy it.

The Chair: Maybe the clerk will make copies of that press release and we will distribute it.

Mr Tilson: Marked up with my little notes.

Mrs Y. O'Neill: But we should still get the verification from the ministry officials.

The Chair: Very good. That information will be forthcoming from ministry staff.

1640

REALSTAR MANAGEMENT

The Chair: The next presenter is Realstar Management. Sir, please come forward and identify yourself and your organization for the record. I believe you have been allocated 20 minutes, 10 of which you can use to make an oral presentation, and we have been reserving 10 for questions and answers from the members of the committee.

Mr Prince: My name is Jonas Prince, and I am a co-founder and director of the Realstar Group of Companies, established in 1974, on whose behalf I appear today. I would like to tell you, there is ample room here for the one person who came with me from my office today.

Realstar is a privately owned Canadian enterprise in the business of providing residential accommodation through an extensive rental portfolio which provides quality accommodation to more than 14,000 families, most of whom are located in Ontario.

Realstar has built and invested in apartments throughout Ontario. Outside of Metropolitan Toronto you will find us in Windsor, St Thomas, London, Kitchener, Guelph, St Catharines, Fort Erie, Welland, Brockville, Niagara Falls, Peterborough, Owen Sound, Collingwood, Barrie, Bradford, Richmond Hill, Newmarket, Brampton, Oshawa, Whitby, Port Hope, Ottawa and Sault Ste Marie. As well, we are represented in Metropolitan Toronto, including the city, North York, Mississauga and Scarborough.

In short, Realstar has worked hard over the past 17 years to construct, acquire and manage apartments primarily throughout Ontario. We have a major stake, needless to say, in this province. We are not in the business of the quick flip. In fact, we have never sold an apartment building. On the contrary, because we regard the apartments as long-term investments, we have a high level of interest in making sure they are maintained to a status commensurate with tenants' expectations and needs. Until now we have always considered ourselves as long-term and responsible owner-managers.

I am here because I am concerned about the reputation landlords are receiving and because of a concern regarding the future of our business in Ontario. A lot of time, effort and money that have gone into building our business are being seriously affected, and I would like to express my personal views, which may be more subjective than those

you may have heard from landlord groups or associations who have appeared or will appear before you. You will certainly not be hearing many statistics from me.

Who are our tenants? From our first project of 33 suites which we constructed in Bradford, Ontario, in 1974—in respect of which we borrowed the money from the local bank—to our most recent acquisition, our tenants are ordinary, middle-class working people who, I would suggest, typify middle Ontario. They include a cross-section of people, but outside of Metro in particular there was a high preponderance of seniors, many of whom are on a fixed income.

We also have a significant number of units which are leased to various local housing authorities. We were one of the first landlords to support this program. In fact, of all the programs we have seen, it is in our view the best. Over the years, we have also worked closely with CMHC. We were also among the first to establish handicapped units in our buildings.

You see, although we are not a non-profit organization, we do pride ourselves in the quality and maintenance of our buildings, which are comfortable, but they are certainly by no means luxurious. Most important, we pride ourselves in our relationship with our tenants. With respect to this landlord-tenant relationship we ask ourselves, what does the tenant want of us? The answer must be a clean, well-maintained building at a fair rent. We all know what clean and well-maintained is; the issue is what is fair. Our average rent across the portfolio is about \$600 a month for a two-bedroom apartment. We consider that more or less fair.

We have endeavoured to maintain a good relationship with our tenants. We have found, however, over the years that landlord and tenant legislation in general has the effect of polarizing landlords and tenants as if into two armed camps. This proposed legislation, I suggest to you, has the potential to worsen this. Comments and actions on both sides have been extreme and inflammatory. I both disagree and regret this outcome for tenants and landlords to this date. Nevertheless, as a responsible and responsive landlord we are put in a difficult, if not an impossible, situation. Here is why.

Under this Bill 4 we do not have the ability to finance improvements beyond ordinary repairs and maintenance. In these remarks I am not dealing with ordinary repairs and maintenance. There are two reasons why this is so. First, there is no source of cash flow under the existing proposals to do this. Second, lenders will not lend. Our tenants tell us they do not mind paying moderate increases, provided they are reasonable and provided the work has been done to justify the increase. Our average annual increase since 1985 has been about 6.9%. This is in fact 2.1% less than the amount we could have legally charged under orders we received through the proper procedures. This is also consistent with our long-term philosophy of maintaining low turnover in our buildings and keeping tenant relations paramount.

To translate this into a dollar amount, this increase that we have obtained over the statutory limit is about \$12 a month. I do not belittle \$12 a month. It has to be

commensurate with the improvements performed. These operating increases have been used to fund the capital improvements and other extraordinary expenses in respect of the property.

How many tenants have appealed these increases we have obtained? In all our applications, which total about 260, there have been four applications appealed. We regard this as a good test as to whether the amounts and the applications have been fair. What did we spend the money on? Of \$6 million that were spent throughout 1989 and 1990, about 60% was on garage restoration, about 12% was on common-area painting, decorating and carpeting and about 11% related to brickwork and repair, hardly luxury items. These in themselves total over 80% of the amount spent.

What is the result of this, the impact of the bill? We have stopped and cancelled everything planned or in progress, except for obligatory or what we would call mandatory repairs and maintenance that are absolutely required. We would never jeopardize the security or welfare of our tenants. But discretionary matters are not being attended to. By discretionary I mean the painting, wallpapering and carpeting the tenants would like us to do because of the pride they take in their apartments because they are their homes, and which we would like to do, but we cannot. Members of the House have said that the cancellation of millions of dollars of work by landlords does not have anything to do with the legislation. They have said it is the economy that is causing these layoffs. They are completely wrong.

On the other hand, I will tell you what the economy is causing. It is causing vacancies, the likes of which I have never seen since 1975 to 1977, or 1981 to 1983. As a result of the combination of the slump in the housing market, the economy in general and the overbuilding of condominiums, vacancies were opening up in the marketplace from the beginning of this year. Frankly, this means that even if we were allowed to get the slight pass-through beyond the 5% maximum we have obtained, we probably could not charge it in the marketplace anyway.

The second result of the impact of this legislation is that we cannot continue to build new apartments. We are one of the very few who have been building apartments for rent, not for sale as condominiums, over the last two years. In St Catharines in each of 1989 and 1990 we built 100 units. The next 100 units in this project are almost ready to go. Under the new proposals, the rent obtained during the first occupation becomes the basis for ever, without regard to cost overruns we may incur, without regard to interest rates, strikes or market conditions. The project is now on hold and we have laid off our crew.

We would like to go ahead but we cannot get financing because the lenders are scared. Why are they scared? It is the "R" word, but "R" in this business does not stand for recession. I suggest to you it stands for retroactivity. From a lender's perspective, if a government is capable of retroactively changing the rules, what is to prevent it from doing it again? This part is very simple. I say to you that retroactivity in a democratic society is repugnant. There

can be no confidence in an economic regime or system when the rules can be changed after the fact.

From a personal perspective, the retroactive proposal is simply not fair. We borrowed in excess of \$6 million to fund improvements under the existing system and now you say to us that we have no ability to increase the rents in accordance with that system and in accordance with orders obtained in order to pay back that money. There is no other way of repaying for those extraordinary repairs.

Furthermore, if you wish to be philosophical and argue that retroactivity is warranted in the face of a competing good, what is that good? Where is the urgent competing social benefit? Where is the danger to life or liberty that requires that dangerous action? I suggest to you that there has been an overresponse to the actions of a few landlords who have been irresponsible.

In conclusion, I would summarize my comments in the following five points. First, I suggest that retroactivity be dropped. There is no social ill worthy of its cure. Second, with respect to the capital issue, I am against large capital increases. We have personally not passed them on when we had the right to and I have no objection in the business to have a cap on pass-throughs. Third, if you want to eliminate the quick-flip artists—and I am totally in favour of doing that—legislate holding periods. Fourth, depolarize the political process by making the consultative process more meaningful. Finally, my belief is that landlords and tenants have, generally speaking, co-existed in a satisfactory and responsible fashion and that there has been abuse by some on both sides of the coin, but these abuses do not warrant the broad-reaching measures proposed in this legislation.

1650

Ms Harrington: I think you have made your position quite clear and I thank you for coming. You said your company owns buildings in all of these various cities that you mentioned.

Mr Prince: That is correct.

Ms Harrington: You also indicated that all of your buildings are in good condition. Do I understand you correctly?

Mr Prince: Yes, generally speaking.

Ms Harrington: What increases have you got this past year?

Mr Prince: On average, 6.9% has been our average increase since 1985.

Ms Harrington: Okay, that is over those five years. What would it be just in the last year?

Mr Prince: I do not have that statistic here.

Ms Harrington: What would be the nature of complaints from your tenants, if you have any?

Mr Prince: Quite frankly, we have from the beginning taken great lengths to be receptive to the needs and requirements of the tenants, to the point where before we built in St Catharines, for example, which was a project where we owned a number of buildings and we had the ability to build further, we asked the tenants what types of amenities they would like to have: the sizes of the

bedrooms versus the size of the living room; would they like a balcony or not like a balcony?

These certainly are not luxury units. As I say, we have a lot of seniors. They are the kinds of units your parents would be happy to live in. We have tried to be very responsive. For the large number of tenants we have and the buildings we have, we have a lot of tenants who are there for a long tenure. I do not know what the average turnover is in the city of Toronto any more, but we had certainly a tremendously high proportion of the tenants who were there, the unit was their home. I cannot tell you how many, but certainly dozens have told me that the only way they are going to leave is when they are carried out of the building. I cannot generalize about the complaints. We just do not receive that many.

Ms Harrington: I certainly agree that, because you are in this for the long term and you say you have never sold a building, this is the type of business people we need, who are there for the long term and who know how to manage things. As I was referring to with the last presentation, maybe we should have a degree course in how to be a landlord.

Mr Prince : I agree that we are not licensed and maybe that concept should apply to other professions as well.

Ms Harrington: Going back to the nature of complaints, you are saying you do not really have complaints.

Mr Prince: We are not perfect. There is no question we receive complaints. There is no question that when you have so many apartments, people will complain that a parking lot may not be lit well enough, their parking place is too far away, they would like to see a swimming pool added, they would like to see some particular matter done or they have had a fight with the resident manager or something to that extent. But certainly we do not have any mass petitions from tenants. We do not have large matters.

Mr Mahoney: Thank you for your presentation. I did not hear you say this, and if you did address this, I apologize, but have you analysed what might be the reason for the state of affairs we see in places like Parkdale? You may not have seen that presentation this morning. I do not like continually to use just Parkdale, but that is the one area where we have had the most people from in the last couple of days.

Why, in the city of Toronto and certain areas, would the buildings get run down to the extent that they have, and yet you are able to operate in other centres quite effectively and maintain, as you say, a reasonable level of maintenance and obviously a reasonable level of happiness with the majority of your tenants? Can you explain to this committee, and most important to this government, why that might be?

Mr Prince: Not having heard the presentation, I cannot really answer any particular points that were mentioned. However, I am sympathetic to some of the issues that were raised by Mrs Gardner before that there is certainly, in the existing landlord and tenant legislation, the ability to pass through financing costs, the quick flips, the ability to raise rents without improving the apartments

themselves and it certainly may be one reason why rents go up and you do not see the corresponding benefits.

I cannot comment particularly, but there is no question that the legislation we have now is far from perfect. My concern has been that we go from one extreme to another extreme. The reason I am here, as I said, is that I would not like to see the buildings we have today become like the buildings in Parkdale because when we want to improve the buildings we do not have the ability to do so.

Mr Mahoney: One of the concerns I think a number of us have and we have talked about is this hidden agenda. There have been suggestions that some people, notably the Premier and others, would like eventually just simply to devalue the apartment stock in this province to the point where you would simply sign a quit claim. That may sound absurd to you now, but if a building indeed becomes a negative cash flow on a constant basis and you are annually losing money, you are only going to do that for a certain length of time before you want to, in some way, bail out.

Have you had anyone approach you about buying you out and turning all of your units into some form of public housing? Do you see that as a feasible scenario?

Mr Prince: I can tell you, we have never been approached. Whether it is feasible or not, I will pass along something Mark Thomas Jefferson said when he founded the Democratic Party in America—not the New Democratic Party. He said, “We are all in danger of losing our life, liberty and property whenever the legislature is in session.” The government may decide to legislate us down. I was reading a statistic that in Phoenix 50% of the apartment stock is now in foreclosure. That is not because of legislation; that is because of the economy.

I suggest to you that without this legislation the effect of the marketplace right now is that rents would not be going up significantly because you cannot get them. We are quite prepared to spend the \$6 million, having identified the increased stock because of the condominium stock in the city and because of the large problem in the housing market. That stock will come on to the city. It will be rented. It will be rented at whatever the lenders can get for it. We know we cannot recover by way of the rent, notwithstanding an order, the extra \$6 million in the monthly component.

However, our basis for allowable rental increases at some point in the future, if the market warrants it and if legislation permits it, allows us to go to the lenders to finance their improvements. Under the current legislation, we could not have made those improvements.

Mr Tilson: Do you have written comments or has this all been with notes?

Mr Prince: These have been my own notes.

Mr Tilson: Some of your suggestions with respect to amendments, it may be difficult to copy what you have, but if you do have—

Mr Prince: I cannot now, given the form of my notes. At a later date I will be happy to circulate my comments if they are of any help to you.

Mr Tilson: I would appreciate it because we will be going through clause-by-clause and some of your suggestions for amendments I think we would like to take under consideration.

Has the damage already been caused by Bill 4—and I am referring specifically to some of the amendments you have made—or is there room for some salvage?

1700

Mr Prince: There is always room. I would never say that nothing is irreparable. Certainly the major economic issue occurred prior to Bill 4, in the sense that you do have vacancies in the marketplace. You cannot get increases in any case, and that is as it should be. That is the market effect taking hold because of the oversupply of the condominiums and so forth. We just do not have a source to finance improvements we would like to see made and the tenants would like to see us make. Certainly, as soon as we are able to know we are back to a stabilized environment, we will be able to continue.

The other thing, of course, is that you have uncertainty. The longer an interim situation lasts the longer it is before we can make any kind of commitment to the buildings. We can play under any set of rules, but you have to have rules and right now we do not have rules. So long as we have an interim session, you do not have certainty and lenders are refusing to invest.

Mr Tilson: Or the rules change in midgame.

Mr Prince: Or the rules change. That is why I have the problem with retroactivity.

Mr Tilson: Which leads to my next question with respect to financing. You have commented on the effect on your own investing in the province. With other investors you deal with, either within or without the province, can you relay your thoughts on the effect Bill 4 has had on those investors?

Mr Prince: Yes. There certainly will not be construction of rental apartments by the private sector, I can tell you that. Second, there is no motivation for someone to buy somebody else's apartments and fix them up. We have done that. We have taken apartments where an owner has been in trouble and where they have been run down and we have tried to fix them up. Even in those cases, the rental pass-throughs have always been single-digit numbers, because we tried to spread it out; even when we were not legislated we did that.

But right now, why would anybody invest? That is the fear of retroactivity, and whether it is a hidden agenda or the possibility of a hidden agenda or whatever you call it. I do not believe that. That would be so extreme, frankly, I cannot believe any regime would do that, but who knows? We live in extreme times, I suppose. There would be no reason and no motivation for anybody to acquire an apartment building today. In fact—and this is speculation on my part because I do not track the data—I doubt if there has been a purchase and sale of an apartment building since this legislation has been announced.

The Chair: Thank you very much for your presentation. Your time has expired. We appreciate your coming

before the committee. You have generated a lot of interest. We are going to move along.

STEVE KEWIN AND ASSOCIATES INC

The Chair: The next presenter is Steve Kewin and Associates Inc. You have 10 minutes for an oral presentation, followed by 10 minutes of questioning.

Mr Kewin: Good afternoon. My name is Steve Kewin. I would like to thank the committee for offering me this opportunity to speak in this forum on the issue of the NDP's Bill 4, the interim rent control legislation which in my view and in the view of so many affected by this bill will cause severe financial hardship to Ontario's residential rental property owners, Ontario landlords, to Ontario's financial institutions and secondary private lenders—a bill that ultimately will reduce the living standards of Ontario tenants, some three million people.

I am 38 years old and I have been married for nearly 12 years. I have four children aged three to eight. Both my wife and I were born and raised in Ontario in the areas of Toronto and Brantford. Both of our families, particularly in the early years as we were supported by them, could be described as being very ordinary Ontario and Canadian families. I also happen to own a couple of medium-sized apartment buildings in a small city in southwestern Ontario.

I have given you some personal background, because I think sometimes the public in general but more particularly some tenant groups and the general populace of the NDP, view landlords as Donald Trump types: arrogant, insensitive to their tenants and all too willing to take and not give back. Landlords are often thought of in terms of large corporations with hundreds of employees whose only goal is to increase rents at every opportunity and, in the process, not put anything back into their buildings and the communities in which they live and do business.

I would like to dispel that myth. The average Ontario landlord may own 10 apartment suites. He or she is likely to have very much in common with a typical tenant in his building, including being of similar early economic background. They are people, not numbers and statistics. In most cases, they have come to own apartment property through unusually hard work and a willingness to take calculated risks with their total family financial assets.

What may distinguish the typical tenant from the typical landlord is the landlords' deep trust in real estate as a means to achieving some form of economic freedom, freedom from having to depend upon government, their fellow taxpayers, for their retirement livelihood. This is not intended as a criticism of tenant beliefs nor a pat on the back to landlords. Both should have their right to live their lives as they please, to follow their own internal lights without burning the other or demanding from the other that which is not rightfully theirs, that which is unfair.

The typical tenant, I believe, has no dispute with the owner of the building that provides his shelter. The relationship, for the most part, is harmonious. My problem is not with my tenants. It is with this government. There are exceptions to this, of course. There are landlords who are irresponsible, who take and do not give back, but there are

also irresponsible tenants, those who demand more than their rightful share of taxpayer-sponsored rental housing and who do not appreciate the value they receive for their rental dollar. But these landlords and tenants do not represent the norm.

I am finding it very difficult to believe that Bill 4 is anything more than a shameful kick at landlords by a ministry that appears set to demonstrate that it has no compassion for those who have invested their livelihoods in the provision of rental housing to Ontario tenants. Let me be more specific. The NDP has told us that it introduced Bill 4 as a way to provide adequate rent protection to tenants. In doing so, David Cooke was quoted as saying in the House that he was going to be fair to landlords. Let's be serious, Mr Cooke: How do you rationalize your objective of fairness to landlords by proposing to retroactively eliminate rent increases already awarded by an order of the previous government and, further, to eliminate the entitlement of the landlord to rent increases based on millions of dollars already spent on capital work, decisions made by landlords to spend that capital based upon existing Ontario law, if the first effective date of the landlord's rent increase under order or under application just happens to be on or after 1 October 1990? How can this kind of treatment be fair to landlords? In many cases, the moneys spent have been borrowed and the ability of the landlord to pay the moneys back is dependent upon the landlord receiving the increase he is entitled to. I ask both the government and the tenants of this province, how would you like to find yourselves in this predicament? It is just not the way ethical business people do business with each other.

Many falsely believe that the Bill 4 proposal is retroactive only to 1 October 1990. In fact, there are many orders out there that were issued as early as 1987 that required financial and economic loss increases to be phased in over several years. This bill will void those orders. Let's be clear about this and put the issue of retroactivity into proper perspective. The former Minister of Housing issued rent review orders, contracts, to be adhered to by landlord and tenant. Each was given certain rights and obligations they would be responsible for living up to. The landlord and tenant now find that with a change of government that contract is proposed to no longer be valid. If you or I tried unilaterally to terminate an agreement of such importance to another's livelihood we would find ourselves in the courts attempting to defend this totally indefensible position, exactly where I expect we will see this government on this issue of retroactivity if it proceeds as planned.

I urge the NDP to think about the financial hardship that would be caused to tenants when the courts rule that the retroactive nature of this bill is illegal. All those tenants who had not been paying rents as per existing orders for three, maybe four years, as we awaited the court ruling will be forced to come up with thousands of dollars. I know you do not want that. Think also of the political damage this will cause your party as you move towards the next election. The amount of money at stake here is in the millions, real equity that will vanish. It is just inconceivable that a government in this day and age in Canada could act

or intend to act with so little respect to its own people, in fact a minority group, Ontario landlords.

1710

Let me draw an analogy that I hope will make this very important point more clearly. As a new MPP you take your seat in the House with great pride and satisfaction in knowing that not only will you be able to serve your constituents, as is your greatest pleasure, but you also take comfort in knowing that as you temporarily leave your private professional lives your family will have some measure of economic security as a future payoff in the form of a very respectable pension plan. But much to your surprise and your spouse's dismay and anger you find that your employer, the government, and in direct effect your own constituent taxpayers, have changed the pension rules just 30 days after you arrive in office: you get nothing. There is not much fairness in that, I would not think. It is not something you would support as a government either, I doubt.

The other major impact issue in Bill 4 is how the government intends to solve what it perceives as unfair rental increases due to what it calls the flipping of apartment buildings. In some cases this has been a problem, but it is not the norm. The government has tried to make the public believe that this is a dominant practice in the marketplace. This is simply not the case. I say this confidently, as my primary business is the sale of investment property, including apartment buildings, and I am very active on a daily basis in the marketplace. My clients, with very few exceptions, buy the asset to hold and improve. Most never sell. In fact, I have been in this business for 11 years and only once have I sold the same building twice. I am afraid, however, that some of those very same clients who thought they were making a very conservative investment for the long term will now be forced to sell their buildings because of the effects of Bill 4. In many cases, they will sell them at huge losses. Believe me, asset values have fallen 20%, perhaps 25% already as a direct result of the Bill 4 proposals. In financial terms the loser here will not only be the landlord but also the Ontario taxpayer, as both levels of government forgo millions of tax dollars as landlords sell at losses instead of gains.

I know this government has heard all of the arguments for rent subsidies as the best way to address tenant rent protection, and I suspect it agrees that it is the answer to the problem. Politically, they do not see it as an attractive alternative, because that may not endear them to the strong political body to whom they believe they owe a great debt, the large tenants' associations, particularly here in Toronto. I understand, too, the pragmatics of politics and I accept that we may well have some system of rent control in this province for ever. If we must have it, then let it be fair, and any changes you make to the present system I encourage you in fairness to grandfather any provisions that would put at risk capital invested in good faith by property owners who made their investment decisions based on current regulations.

I urge you to reconsider your thoughts on capital work intended to improve existing buildings. Surely the landlord has rights too, including the right to exercise control over decisions that affect the value and structural integrity of his

asset. If the owner needs to replace the roof, paint the balconies, recarpet the hallways or repair the leaky parking garage, encourage him to do it. Offer him a fair rate of return on capital spent, and yes, give him that return by allowing him to increase the rents. Change the present rules which allow increases based on capital to be passed on to tenants immediately in the first year so that the rental increase is phased in with some maximum yearly limit, perhaps 10% or 15% a year. Tenants seeking long-term quality housing will enjoy and appreciate the benefits, the improvements. You are losing sight of the big picture.

As to those buildings in a financial loss position, continue to allow landlords to eliminate their loss by phased-in rent increases. Put an end to abuses caused by the flipping of buildings; do not permit a financial loss increase on a building if it has already had one in the previous three years from the date of the applicant's purchase.

In summary, I urge the Minister of Housing to think of landlords as people too. I urge him not to disregard their rights and to act on some of the suggestions I have put forward here today, even though to do so may conflict with his stated fundamental beliefs on how the shelter needs of tenants in the province should be met. I urge him to strike a balance between his ideological beliefs and the pragmatic and bold solutions demanded of him to ensure long-term quality rental housing in this province.

Mr Mahoney: I want to thank you for coming. One of the frustrations of opposing something like Bill 4 has been the attempt to paint the landlord into either a numbered corporation or a huge corporation where millions of dollars flow on a regular basis, and I appreciate hearing from smaller, more independent landlords such as yourself in trying to put a face to that problem.

As to the suggestions you make, however, I must tell you that we are going to try some various amendments but I am afraid we are probably in an uphill battle. The retroactivity, in my view—and, frankly, to any thinking, caring resident—is repugnant. If the minister wished, he could use the graces of this committee to allow amendments to come forward and be tabled and voted on in a democratic fashion. I have my doubts. I do not mean to be totally negative or to discourage. We are going to fight in some of those areas to see those amendments, because the process is such that here at Queen's Park these committees hopefully are constituted to make some kind of difference.

Could you, for the record, expand a little on the description of your role as a landlord, in terms of numbers and any difficulties you might have experienced in the past in relationships with tenants and how you resolved them? Many of the complaints we get deal with large urban centres where perhaps landlords are more impersonal, and very often government legislation is drafted to react to the most negative aspects of a particular problem. They try to use the proverbial shotgun to solve it when a fly swatter would do, which is a quote from some presentation earlier today, I believe. I think that is valid. Could you tell us a little more about who you are, what you are, the types of people who are your tenants?

Mr Kewin: Yes, I can. I own a 57-suite apartment building in Chatham, Ontario. I have had it since late 1986. My tenants are, I would say, 60% seniors and 40% young and middle-aged working people. My two-bedroom rents are in the area of \$525 a month and my ones are in the high \$400s. The building is what we used to call a post-1975 property. Presently, there is certainly no need for rent control in Chatham. I have seven vacancies coming up in February. That is unusual for me. It is normally full. Obviously, we are in a recession in Ontario. There are manufacturing jobs being lost.

I think it is very important that the NDP and this committee, if it is to make any recommendations on Bill 4, not paint all of Ontario and all landlords with one brush. Toronto is different from Chatham. It is different from Sarnia, where I own another building. Some of the problems exist, and we hear from Kay Gardner and others in Toronto that they exist, surely, but they are not always created by landlord and tenant relations or high rent increases. Sometimes the sheer size of the projects creates those tensions.

The Vice-Chair: I am sorry to cut you off, but we are under constraints. Mrs Marland?

Mrs Marland: I want to say at the outset that it is good to put the face of a small businessman on this scene as a landlord. I also want to emphasize that my objection to Bill 4 is that it does not treat the tenants fairly, because it is misleading. It is not going to give them the solutions to the severe problems they face. It also mistreats businessmen and I think you have given an example in a personal sense of your own business.

1720

One aspect of the legislation that frankly just terrifies me is the fact that if there is something major in an apartment building, whether it is a large complex in Metropolitan Toronto or in my own riding of Mississauga South or a small building, if there is a major safety hazard in terms of construction, even to make that building, if it is an older building, comply with the building code in terms of the safety aspect—it might be balcony railings, it might be the roof of a parking garage, it might be a ramp and it could be the roof of the building—how are landlords going to deal with complying even with the building code requirements in terms of safety if you cannot get the money for those major capital expenditures under this bill?

Mr Kewin: I think your point is very good, obviously. I think what you are going to see, really and truly, are landlords who will forsake capital improvements on matters of safety: parking garages, balcony railings. They are going to foresake capital expenditure on all discretionary items: painting hallways, improving tenants' kitchen cabinetry.

Those landlords who are perhaps new or small, who simply do not have the financial resources, will be hiding a lot of deficiencies. I think probably we will see nothing more than a continuous fight with some higher body, which I suppose this government may establish to try and force landlords to make these repairs. But if they do not

have any dollars, if there is no money to do it, how will they do it?

Mrs Marland: You see, one of the arguments that has been given to me by the government members is that the landlords do have the money out of their regular rent. Is there not a comparison here? Most of us who buy homes buy homes as an investment. I speak just of a single home of our own, not an investment property. We buy our own home and we base our affordability of that investment on how much our mortgage is going to cost and how much general maintenance will cost. Then if it comes along that we have a major expenditure, very often even though we have perhaps budgeted for something to be put away on a gradual basis, the money simply is not there and we have nowhere else to get it.

The Vice-Chair: Could you ask your question, please.

Mrs Marland: Is the comparison not the same for landlords? If that is the case for a landlord, then how can we ever expect, with this kind of regressive legislation, more units to be built around this province to help the problems of tenants around this province?

Mr Kewin: I do not think there will be. In fact, I am sure there will not be any new buildings built in this province. There is absolutely no trust in the government right now. I think your analogy of the home owner is absolutely valid. One of the things that rent review—

The Vice-Chair: Thank you. I am afraid we will have to go to Ms Harrington, Ms Ward and Mr Mammoliti.

Ms Harrington: Mr Kewin, thank you for coming. The RRRA that you have been operating under, do you agree with that legislation, that it is working?

Mr Kewin: I think it has some problems, certainly. I think it needs some amendments, yes. But I think one of the things it has done, much perhaps to your chagrin, is that it has increased rents and rents in this province had to be increased.

Ms Harrington: Okay. I will get to that in a second. Has routine maintenance in your buildings been included within the guideline?

Mr Kewin: The guideline will not allow me, will not give me enough money, to maintain the buildings the way I want to maintain them.

Ms Harrington: At roughly 5% this year?

Mr Kewin: No, it will not. Let me give you a specific example. I own a building in Sarnia which is about 15 years old. The prior owners were very responsible landlords. The Sarnia marketplace from 1983 to 1986 was topsy-turvy to the rest of the Ontario marketplace. They have a different cycle than we do. The landlord there was unable to get rent increases even to statutory guidelines. He was not able to get his rent increases because of the marketplace. You certainly did not need rent control there.

I came to own this building. He, being very responsible, maintained it as best he could. Now that I own it, I find that certainly with a 5.4% increase for 1991, if I am to do what I really want to do for the tenants—and I do want to do for the tenants; I have mostly senior citizens there—I cannot do it. I have a capital budget for 1991 of \$50,000,

and right now all it is a budget. That money is going nowhere.

Ms Harrington: Okay. So what you are saying is that the original problem was low rents at the very start of this whole process. We want to work with you and find a system that works, because we need landlords too. I want to ask you one little question—

The Vice-Chair: Maybe your colleagues would like to ask some questions.

Ms M. Ward: I want to ask you to clarify something you said. I might have misunderstood or might have not heard you correctly. I thought you said you sold only one building twice. Could you explain what you meant by that?

Mr Kewin: I am sorry; perhaps I was not clear. My primary business is the sale of investment properties. I sell apartment buildings and other investment properties throughout Ontario. I also am a landlord because I believe in what I sell and I believe in real estate and I like the apartment building business as an owner, up until now. My point was on flipping. With my clients and all the business I have done, we have sold only one building more than once. In other words, flipping is not a real issue. It is very small.

Mr Mammoliti: I have only one question. You touched on it earlier and I was not sure exactly what you meant by it. Are you from Chatham?

Mr Kewin: I am from Guelph.

Mr Mammoliti: You said that different areas of the province may not deserve this legislation. Is that what you said, in and around there?

Mr Kewin: Different areas of the province do not really need rent control because the market simply controls rents and that is the way it should be. Again, rent control with a broad brush paints every town and city in Ontario just like Toronto, and that is why broad, general legislation is not specific enough.

Mr Mammoliti: That leads me to another question.

The Vice-Chair: Thank you very much—

Mr Mammoliti: I have not even asked my question.

The Vice-Chair: I have been most generous, Mr Mammoliti.

Mr Mammoliti: Incredible.

The Vice-Chair: Thank you very much for your presentation. We appreciate your bringing your views here. We all wish there was more time to discuss it, but in order to get everyone before us—I sometimes feel like I am a hockey timekeeper on this and I do not like that role, but that is what the Chairman is required to do.

DONALD FOX

The Vice-Chair: The next presenter will be Donald Fox. Welcome to the committee, Mr Fox. As you are aware, you have 10 minutes to make your presentation and the committee will discuss your presentation with you for 10 minutes. Perhaps you would just introduce yourself and any group you may represent.

Mr Fox: This article in the newspaper will be my philosophy. The heading was, "Donald Fox Learned His History Lesson and Now Encourages Others to Follow Along."

"When Donald Fox was a young man he saw things much differently, or rather, maybe it was what he didn't see. He didn't see any value in the boxes and boxes of musty old books that had belonged to his grandfather, Samuel Fox, brick manufacturer and MPP from Lindsay. "He threw the books in the garbage. Many years later, he saw a book about the Boer War in an antique store, very similar to one of his grandfather's volumes that he'd thrown out with the trash. Its price tag was \$85.

"That's quite an admission from someone who eventually spent seven years as president of the Oshawa Historical Society. But Fox got involved with the society because he wanted and needed to learn more about history and preservation—about local history, his own family history, and how to take care of the material legacy and the 70-year-old house his parents built.

"Restoring the family home and its possessions has been an exhaustive, lifelong project for Don Fox. Everything from the wallpaper to the upholstery has been carefully chosen to recreate the proper historical period. Working mainly on his own, it took him years to rectify the damage done by the passing years and by presumptuous painters who had encouraged his parents to 'modernize.' Gradually, the original character of the house returned.

1730

"When a relative was about to pitch out his grandmother's massive leather-bound Bible that no one wanted, he jumped at the chance to restore it. Nothing more was going in the garbage if he could help it. The huge Bible now rests on its own side table in the front foyer of the Fox home, in front of the Canadian flag and the Loyalist banner, the Grand Union flag of King George III.

"Years ago, the first thing you saw when you came into a person's house was the family Bible; today it's the cocktail bar,' he explains. 'It's the only thing people had in those days to give them strength and courage. Death was always so present. It was one of the few things they had for comfort and to ease their agony.'

"But there is so much to learn in order to preserve older homes, antique furniture, books and paintings—never dip-and-strip furniture, never use shellac more than six months old, leave the piano keyboard cover up so the ivory keys don't yellow—and if you don't know more than the workman who walks into your house you're not going to get a good job,' Fox stresses.

"The skilled trades just aren't what they used to be. Everything they put up today I don't think is going to last. Young people just don't want to do the long apprenticeships for low pay any more.'

"Within a historical home there are often dozens of items each with a history that can require researching. Don Fox inherited one very heavy lamp with a shaft made from a World War One shell casing. His father had obtained it while working at Defence Industries Ltd in Ajax that

churned out munitions. Fox wrote to the Royal Military Institute to request information about the markings on the shell case. The institute complied with a full package of information. Many institutions are more than willing to answer public inquiries about personal artefacts and give advice on preservation, including the Royal Ontario Museum and the Ontario Museum Association. It's even possible to send in layers of wallpaper from an old house for historical analysis. All it takes is a little perseverance on the owner's part.

"Renovating and refinishing a house can require not just perseverance but the patience of Job. And unless you're willing to do much of the work yourself, it can be outrageously costly. Fox has beavered away at his house for most of his life and spent most of his life savings on it.

"I guess I do it because of the memories that are here and because of the age of manners that we're so quickly losing,' he says. In his dining room, the antique glassware and his grandmother's silver calling card tray have a place of prominence. Boxes of old family pictures, some faces now anonymous, are kept safe and dry. Yet how many times do valuable historic photographs end up in flea markets?

"Look at the clothing, the jewellery, the hair, the furniture and the baby carriages and the way they dressed the children,' Fox observes. 'These pictures tell more about...these people than anything I can say.'

"Don Fox feels compelled to help preserve this tenuous bridge with the past. 'I'm just a custodian, a link in a chain from one generation to the next. I'm just here to take care of these things until I pass them on,' he says. 'But young people need the skills and the knowledge to look after things and preserve them. I'd like older people to leave the skills with the younger people.'

Here is my presentation.

The rental stock of this province should not be used as a political football to garner votes. Disruptive to rental stock have been many province-sponsored programs that have placed a crushing blow on the taxpayer by increasing costs and increasing taxes, such as regional governments, regional boards of education, dual educational systems, bilingualism, multiculturalism, removal of the industrial/commercial/residential tax ratios that were a tradition in urban centres, development of nuclear energy, work of equal value and so forth. I have cut out a file of clippings from the newspapers within the last week to support each one of these.

When you have great difficulty getting affordable skilled help and replacement materials are extremely difficult to find, landlords who own buildings built previous to 1940 should receive every encouragement possible to maintain worthwhile buildings. Promising young people who might be future responsible landlords are going to be dissuaded from entering such a vocation fraught with adversarial confrontation.

My opinion is that when government sets rigid guidelines for a base year, determines the hourly rate for landlords, determines what per cent of a landlord's time will be considered, what per cent of some expenses will be considered, when some expenses are amortized over 25 years without considering amortized expenses of the last 24

years, when the act is extremely difficult to comprehend with its continual additions and deletions, it is almost impossible to invest wisely under such regulations.

Ownership of a triplex, the former early 20th century home of my grandparents, was lost to the family due to rental regulations. We could no longer stand the financial strain of having extremely low rents. Buildings with low rents will not attract dependable landlords. Rental buildings in this province have deteriorated due to government rental regulations. Landlords should not substitute as agents of public assistance. Building deterioration or bankruptcy could follow if landlords are not given a fair opportunity to make a profit.

Any high-rise provincial public housing that I have visited has left me deeply depressed at its condition of maintenance. My health has been permanently impaired by Bill 51. The struggle to maintain my fourplex and hand it on to the next generation in good repair has left me extremely weakened financially.

Too much of the landlords' time is spent trying to keep abreast of political trends. An informed public could have benefited from hearing experts on conservation of rental housing stock, low-rise rehabilitation program, energy conservation, retroactivity and outstanding real estate loans, deterioration of the rental housing stock on municipal property tax assessment, and Stuart Thom's views of the effect of Bill 4 on Ontario's rental housing stock. The long-term goal of the provincial government should be to dismantle rent regulations gradually for the small landlord and use the cost of administering the act to build affordable housing.

The cost of having rents reviewed and appealed can be unbelievably costly. There are tenants extremely inconsiderate of the welfare of the landlord and his building as well as the welfare of other tenants.

One other factor that propelled me here was that when I was 10 and older, I used to go around delivering papers over most of the city of Oshawa and I took great pride in the apartment buildings where I delivered these papers, and today I do not see the sense of care that used to go into these and it depresses me considerably.

Mr Tilson: I, too, would like to hear some experts such as Mr Thom, as I have indicated today and I will be bringing a motion to that effect in due course. Hopefully, the government members will agree with you and I because I think that person should come to us. I also congratulate you on your analogy of history and preserving our past as far as preserving our existing housing stock is concerned. Obviously, I quite concur with you that an effort should be made by any government to encourage landlords to maintain and improve our buildings.

I have no questions for you, other than to congratulate you on your presentation. It is a different approach and I know our party appreciates it.

Mr Fox: The only other comment I have to make, if you look at my age, my concern is who is going to want this building when I am done with it, because to date I cannot find anybody who is willing to work as hard as I have.

Ms Harrington: I think you will agree with our government that the Residential Rent Regulation Act or rent review act that was in place is not very healthy for this province, from your experience as well. What we are trying to do is get a system that will be good for the future of this province, that will allow landlords and tenants to maintain buildings. I have not seen your fourplex, but it sounds like it is very interesting, probably historically as well.

Mr Fox: A friend of mine on city council in Oshawa had a triplex and she went before this rent review. She wanted nothing more than just the cost and when she went before rent review, she did not get it and she did as I did with my grandfather's home. I gave it away. She gave hers away too.

Ms Harrington: I wanted to just see if you might agree with me. One of the earlier speakers today said that the best landlords and those with the best-kept buildings are those who probably do not need to go for more than the 5% guideline. When you look around Toronto, at least in that particular ward of Toronto, that was the experience there, that if landlords care, they obviously attract good tenants and then the buildings do not have to go for rent review.

Mr Fox: I know with my grandparents the rents were set back in the Depression when you could not even rent an apartment. You could not sell your property and could not rent it. We offered them for rent. There was nobody there to rent them. Then I remember I went back in about 1977 and I said to the man in the back apartment who was paying \$60 a month rent, "Would you consider an increase in rent?" He said, "No." So I just said, "We just can't keep this up any longer." So I just stood on the street and gave the place away. I said, "Anybody can buy who wants this place." The second man said he did and I said, "It's yours." We did not even quibble over the price.

The Vice-Chair: Thank you, Mr Fox. We appreciate your presentation.

1740

GOLDLIST PROPERTY MANAGEMENT

The Vice-Chair: The next presenters are Goldlist Property Management. Gary Griesdorf, president. Welcome to the committee. You have been here for a while, so you know what the ground rules are. Introduce yourself and identify your position within your corporation.

Mr Griesdorf: Thank you. I am Gary Griesdorf, president, Goldlist Property Management, a division of Goldlist Construction Ltd.

Paul Gouveia, an apprentice plumber employed by Goldlist five years, laid off; Henry Prosper, labourer, employed by Goldlist four years, laid off; Remigio Pupilin, plasterer, employed by Goldlist 12 years, laid off. These are some of the 23 people laid off at Goldlist as a result of Bill 4.

Goldlist Construction Ltd is a company that has always been in the business of building and managing apartments. In 1975, at the time rent review was first introduced in Ontario, we had 3,500 apartment suites in our portfolio, all

of which we still maintain. Since 1975, we have built an additional 2,000 units, all of which still remain in our portfolio. As you can plainly see, we do not fit into the category of a company that is flipping buildings, one of the factors the government claims fuels large increases.

In 1985, I was appointed to be one of the nine landlord representatives on the Rent Review Advisory Committee. This process allowed us an opportunity to understand the real concerns of tenants.

The tenants agreed that they were prepared to pay for necessary capital expenditure work that was done and reviewed by an independent party. They did not want luxury renovations such as gold-plated mirrors in the lobby, but did want aging roofs permanently fixed, aging electrical wiring systems and plumbing risers replaced. They also wanted regular maintenance to continue. The formula of the statutory increase was intended to include 1% for small capital expenditures so that the rent review process would not be slowed down for small items.

On RRAC both tenant and landlord representatives believe that the regular operations and repairs of the buildings should be allowed to continue free of political influence. They recognize that if attention is not given for any extended period of time, the results of this inattention could have serious long-term effects.

The government has stated that landlords do not need extra money to do repairs and renovations because enough money is already provided for in the rents. In 1975, when temporary rent review was first introduced in Ontario, the original theory was that whatever annual cash flow existed before rent review would remain, leaving the landlord in the same cash position as before. The annual 8% statutory increase was supposed to cover increases and operating costs only. In our Thorncliffe Park buildings, realty taxes and utilities alone account for 42% of our tenants' rent.

The tenants and the landlords on RRAC worked together specifically to make sure the statutory increase did not cover major repairs and renovations, except for the 1% meant to cover sundry capitals. RRAC specifically endorsed the concept of separate justification for increases covering capital expenditures.

Tenant advocates have stated that capital expenditures would not be required if landlords conducted regular maintenance and that capital expenditures were merely luxury renovations. Capital expenditures are costs incurred that have a useful life longer than one year. Back in 1975, there was concern that such longer life expenditures should not be treated as ordinary operating costs, because a claim for them would result in large rent increases. Instead, by amortizing these capital expenditures over a longer period, the resulting rent increase would be lower.

Previously, you heard from Kay Gardner commenting that good, long-term, responsible landlords are not affected by Bill 4. I beg to differ. We are seriously affected, mainly because we want to do a good job. I would like to give you an idea of the type and cost of capital expenditures we are doing in 1990. Many of these programs started as early as 1987 and are continuing.

This list relates only to the portion completed in 1990 in buildings over 20 years old: \$3.7 million in six buildings

for repair and replacement of delaminated concrete and steel in underground garages—this is the damage caused by salt on our roads; \$800,000 in three buildings for roof repairs; over \$2.6 million in four buildings for conversion from galvanized to copper plumbing; over \$300,000 in three buildings for new hot water vessels; almost \$900,000 in two buildings for exterior concrete cladding and balcony repairs; close to \$765,000 in one building for fire safety retrofit; \$1 million in four buildings for appliance replacements. These costs could hardly be considered luxurious. This and other work totalled over \$11.4 million for six buildings, for which applications were submitted and even one decision already granted. All were deemed void by Bill 4.

Surely capital expenditures of this nature cannot be considered as regular maintenance. All of the apartment buildings in Ontario were built in accordance with building codes that existed at the time of original construction. Building and municipal codes have changed over the years and deadlines are often set for adherence to these codes. The statutory increases cannot possibly cover such extraordinary expenses.

The government has stated that it felt it was necessary to introduce Bill 4 because of the abuse of the rent review system by landlords, as evidenced by the significant number of applications recently submitted for increases. But the only way for a landlord to receive any increases for capital expenditures is to do the work first and then make application. If there are so many applications, it is because more landlords did their work. Is this an abuse of the system or merely an indication that so much work is necessary to maintain our aging apartment stock? It makes no sense to change the rules governing capital expenditures just because there are more applications.

Often long-term landlords plan major capital expenditures to be completed over a number of years for the purpose of managing both their cash-flow and borrowing capabilities. This has the positive result in lower annual increases for our tenants. Using our own company as an example, in planning the capital expenditures for seven buildings, we spread out the work over three to four years for each building. With the changes in regulations announced in the summer of 1990, we sent out letters to our residents in those buildings informing them in detail of work that had not yet commenced.

We at Goldlist are part of those who built the backbone of apartment stock in Ontario and thought we would be part of tomorrow's programs of building the much-needed affordable housing.

Most of the work in our 1990 program started as early as October 1989. Because the regulations require that capital work must be substantially completed to be eligible for any relevant rent increases, applications were submitted in the late summer of 1990. The unfairness of Bill 4's retroactive aspect alone has enraged the landlord community, especially the long-term owners, since over the past 16 years we have had to adapt to the questionable wisdom of each changing government's Band-Aiding an already ailing rent review policy. It is exactly the opposite that the government should be proposing—the promotion of good

long-term care and maintenance of our aging stock, just as the tenant representatives in RRAC so advocated. Instead, the government has introduced sudden retroactive changes that negatively affect landlords, lending institutions, tradesmen, as well as both long-term and future tenants.

As we had previously informed our residents what capital expenditures we were going to do, we felt it was our responsibility to inform them that we had to stop our program in midstream. Many of our residents told us that they did not agree with the government's drastic and potentially dangerous legislation, as they were concerned that our buildings would not be maintained at the same quality level as before. Some residents gave us copies of their letters to the Ministry of Housing expressing their concern.

1750

I would like to read one letter to you from Margaret Duff, of 35 Thorncliffe Park Drive, who stated: "As a tenant in a well-kept building at the above address, this letter is to register my disappointment in and objection to the proposed legislation to disallow the landlord the right to apply to the rent review services for appropriate increases to help cover the costs for necessary major repairs to their rental property.

"This proposed measure seems draconian, and already the effects are being felt by tenants, presumably the very people the legislation is hoping to protect, not to mention the myriad of workforce personnel indirectly affected by the cancellation of repairs, alterations, etc, already contracted for and in some cases now cancelled. They also will suffer if this legislation is enacted, while many of us tenants will endure minimal maintenance and/or repair to the buildings we live in. Already the managers of our building have notified us they are cancelling all capital expenditure programs they had anticipated, most of which were reasonable and welcome to us, with appropriate increases as decreed by the rent review board.

"Obviously no one is in favour of gouging tenants. Nor should trustworthy and conscientious landlords be made to suffer undue loss on their investment. We here under the Goldlist umbrella have come to enjoy a fine standard of maintenance and necessary improvements and it will not be a welcome development to experience a lessening of those standards, which inevitably must ensue if and when this unfortunate legislation is passed.

"Therefore, this is to add my strong objection to the proposed legislation."

Certainly many recognize the long-term effects this legislation will have on their homes.

To further enrage the landlords and renovation tradesmen, the government announced and had the Ontario Federation of Labour agree that no one has been laid off as a result of this legislation. Unfortunately, our company has already had to lay off 23 people after 28 November only as a result of Bill 4. We were able to save some other jobs by shortening the regular work week of about 50 employees. We could not, however, save the jobs of our suppliers' and subcontractors' workers. Although we have always taken a long-range view in the planning of our capital program, the government's actions forced us to immediately stop all

work, especially when the lenders told us they would not finance any more capital expenditures.

The Vice-Chair: Are you just about finished?

Mr Griesdorf: Yes. Because we cannot afford to continue with our capital expenditure program, these workers lost their jobs. I was going to quote Mr Rae's speech, which was just about a week ago, where he stated, "I'm saying that everybody, including the financial institutions, has to understand that jobs are important." Mr Rae must listen to his own words. Rather than promoting work, his policy is leading to the elimination of jobs.

Afterwards, I would like to comment on the announcement today to see who it helps and who it does not help.

The Vice-Chair: Well—

Mr Griesdorf: My last two comments, if I could, Mr Chairman, since I may be the last person. I have just about a minute left.

It is not only the retroactive aspect that bothers me, but also a capital expenditure might not be done in the next two years. We remember well the temporary two-year rent review introduced in 1975 that became permanent in 1979. Also, we remember the promise that rent review would never apply to post-1975 buildings and how that changed in 1985. Now we have a further temporary two-year freeze, including retroactivity, on increases due to capital expenditures. How can the government expect the landlord community to have confidence and make plans based upon existing legislation, even though it came as a result of extensive landlord and tenant negotiation, when it not only can be changed but changed retroactively at the whim of a new government?

The Vice-Chair: You are quite a bit over time. We have some questions on the government side. Mr Duignan, Ms Harrington, Mr Mammoliti.

Mr Duignan: Thank you for coming and making a presentation here this afternoon. You operate three buildings at Thorncliffe Park, numbers 53, 49 and 65.

Mr Griesdorf: No, 65 is not one of ours, but I would be happy to add that we have 26, 27, 35, 43, as well as 47, 49, 53 and 85 and 95.

Mr Duignan: In 49 Thorncliffe Park, what are the type of rent increases over the last couple of years in that building?

Mr Griesdorf: I am sorry, I have it in my notes back there. In one of the buildings it was 10.6%, and in another one I think it was about 12.5%. That was one increase. Another one I believe was 16% and the third one was being held up because of this Bill 4. That, of course, includes statutory. I am sorry if I am out on my percentages, but I believe those are the two amounts.

Mr Duignan: Do you have any outstanding work orders on your buildings?

Mr Griesdorf: Not that I am aware of. The only ones that we have been approached on by the borough of East York are the lighting in garages and in the corridors. What we have been doing is planning our fire safety retrofit program and our underground garage work program so that we do one building at a time. We have completed 53

Thorncliffe, we have just completed 49 Thorncliffe, and it was our plan to do 47 Thorncliffe, followed by 43 Thorncliffe and 35 Thorncliffe. These are the major ones that the borough of East York has met with us on. To my knowledge, there is no outstanding work order that we have not addressed or satisfied the commissioners so that we could do a nice, orderly program of repair.

Ms Harrington: You were originally on the RRAC, which agreed to the RRRRA five years ago. Would you agree that it is now a bureaucratic mess?

Mr Griesdorf: Part of it may be considered a mess, but I can tell you from our viewpoint, it is working in order that these capitals can be completed. I think this was the concern that the tenant representatives had. They were worried that capitals would not be done, and we think we addressed that.

Ms Harrington: Just to follow up from Mr Duignan, according to the RRRRA, routine maintenance is included in the guideline increases.

Mr Griesdorf: That is correct.

Ms Harrington: I am wondering if you have outstanding work orders on your properties.

Mr Griesdorf: I am not aware of outstanding work orders, apart from the aspect that they talked about, increasing the lighting in the underground garage. We are repairing the underground garages first, and following completion of the membrane, we are putting the lighting in and painting all of those garages white, as those guidelines have. We felt it did not make sense to paint the garage and put the increased lighting in, then take it out when we had to repair the underground garage.

Ms Harrington: Okay, I understand.

Mr Griesdorf: Do you understand the sequence of work? It makes sense to do it in an orderly fashion, and that is what we pride ourselves on, trying to do this in an orderly way.

Ms Harrington: And getting it all done.

The Vice-Chair: I am going to have to go—

Ms Harrington: Mr Chair, I am going to take a little bit of Mr Mammoliti's time, if that is all right.

The Vice-Chair: He does not have any.

Mr Mammoliti: That is fine with me.

Ms Harrington: I would like to make the committee aware—

The Vice-Chair: You will have to take some of Mrs O'Neill's, and I am not sure that is fine with her.

Ms Harrington: Okay. Goldlist did send out a newsletter to all the tenants, asking them to write to the ministry. On behalf of the ministry, I would like to say that we have received many replies—

The Vice-Chair: Order.

Mr Griesdorf: Yes, that letter is attached in the brief, Ms Harrington. Mr Chairman, did you want me to respond to that?

The Vice-Chair: No, I was looking for Mrs O'Neill to ask her question.

Mrs Y. O'Neill: Mr Griesdorf, you have brought before us a very good brief. I particularly feel it helpful that you brought forward very explicitly the categories of major expenses. Are any of the ones that you have brought to our attention in your brief under conditional orders or were they under the conditional orders as you proceeded with them?

Mr Griesdorf: None of them was under conditional order. The only thing I am concerned with is the reference about the emergency lighting. We do put the emergency lighting and the painting of the garage following completion of the work. If this is what the reference was by Mr Duignan, then I am concerned that maybe there is a reference to that. But the underground garage was not under any order and the roofs were not under any order.

Mrs Y. O'Neill: I am talking about conditional orders that you would have worked out with the Ministry of Housing regarding pass-through.

Mr Griesdorf: No, no.

Mrs Y. O'Neill: These were just things that you were doing.

Mr Griesdorf: That is right. As a matter of fact, our whole fire safety program was one that has not been completely enacted by law yet, although it followed Judge Webber's commission.

Mrs Y. O'Neill: It seems to me that these repairs, roof repairs, plumbing repairs, hot water vessels and fire safety retrofit, would be some of the things that most tenants would want. Certainly the tenants who appeared to us earlier in the afternoon would find they would be necessary repairs.

You seem to have had a lot of history of dealing with tenants. Would you be able to give us a description of a good tenant and then, if that is possible, a bad tenant? The parliamentary assistant, at the end of the last presentation, talked about good tenants and bad tenants. To this point, we have only talked about tenants. Would you be able to help us a little bit about good tenants and bad tenants?

Mr Griesdorf: We are very fortunate. About 95% to 98% of our tenants are good tenants. Some of them may not like to have any increases in rent beyond the statutory amount but, by and large, all of our tenants are responsible. They are interested in their buildings, and a lot of them do assist us even in making suggestions as to what to do.

1800

Mrs Y. O'Neill: Have you had any experiences with what could be categorized as bad tenants, and could you give us some characteristics?

Mr Griesdorf: The only bad tenants that we feel might be involved are those who disrespect the property or other residents. We are concerned where there may have been tenant-versus-tenant type of problems. The only type of bad tenant, I would say, is anybody who does not pay rent. But apart from that, we do not have problems. We work them out with our tenants. We are in this long-term business. Our tenants are our customers.

Mr Mahoney: I am sure I do not have much time, so I will be brief and go to the point, on page 11, of the

\$11,000,000 that you invested in work that you are now not going to be able to address as a result of Bill 4. What are you going to do about that? Would you consider continuing in the business that you are in now and are in in very many parts of this province, including my municipality, and where do you go from here?

Mr Griesdorf: There are two parts to your question. The first one is, what are we going to do? We have had to stop our capital program. We will not leave buildings in any hazardous state. If some emergency has to be looked after, we will look after that. Our program has stopped, to all intents and purposes. We will have to go back to the patching that I was concerned with and that we in the long-term landlord business are not happy about. We will have to re-examine every one of these capitals to see what can be put off for two or three years, hoping that whatever comes out of this legislation, we end up with something that considers the problems of long-term capitals.

The other question was about staying in the business? We are re-examining our staying in the business. We would like to build, but we are a little worried about that.

Mr Tilson: You commented on the minister's news release today, which I referred to. I would like you to direct your thoughts specifically towards the issue of capital expenditures. I think the minister has acknowledged that he has goofed by this announcement and I would like to hear your thoughts specifically in that area.

Mr Griesdorf: The first comment is that I am always worried that the government comes out with something to offset something else that it has done in its wisdom. They did not have to do a lot of this, because the landlords were prepared to pay for it, to finance it through long-term borrowing. Over a longer period of time—this is the amortization I referred to on capitals—yes, tenants would eventually have to pay for it. Instead, what we have got is perhaps the province, all the taxpayers, paying for it in this case.

The low-rise aspect of course will fund two thirds of the capital expenditures, but the landlord still has a problem with the other one third. If he is a small landlord without borrowing capacity, he has a problem. Of course, this does not have anything to do with the landlord who owns a building larger than the low-rise. I am not sure if it is four or five storeys that is considered low-rise, but larger buildings, six storeys, are not affected by this proposal.

Mr Tilson: Do you believe this is the start of the government simply taking over the payment of capital expenditures?

Mr Griesdorf: It is a concern of mine. If this is the direction the minister is taking, I am concerned that this is what he has in mind. This is not satisfactory, especially for the long-term maintenance of stock in the province.

Mr Tilson: I guess the general, overall effect on our taxation, what this will mean to our tax dollars if the government does it, is that astronomical expenditures could be involved, particularly when the ministry has given us specific examples of the percentages of buildings over 20 years old.

Mr Griesdorf: I agree with you. The previous speaker talked about buildings before 1940 he wants maintained. A lot of money is going to have to be spent on those older buildings.

Mr Tilson: I have one other question, Mr Chair, and that has to do with the comment, mainly by the government, on the subject of capital expenditures. They are saying, on the one hand, that landlords are premature in asking for capital expenditures. They are asking, for example, for complete overhaul of refrigerators where it may not necessarily be needed. On the other hand, they are saying that where you have given examples, perhaps wiring, plumbing and these sorts of things that have gone back 20, 30 years that are needed, you should have been doing this. It is a dilemma, I suppose, from the government's point of view. Have you any thoughts on or a response to those remarks?

Mr Griesdorf: I agree we have the dichotomy of, on one hand, keep capitals as a separate item from ordinary rent and, on the other hand, let's include them in the ordinary rent. All of these things you have mentioned do require attention. The replacement of appliances eventually has to take place because the parts are no longer available. We have a program of trying to replace condensers and other matters in our own company. However, eventually, we just cannot replace them any more.

I think we have gone overboard when we heard about a lot of luxury renovations and all the tenant advocates were very concerned that that is all that was being done. I would appreciate, and I am sure it is happening through these committees, if all of the representatives are finding out of what type of capitals are being done. They are not luxury renovations.

Mr Tilson: That was my question.

The Vice-Chair: Thank you very much for appearing. For the information of committee members, this concludes today's public hearings on Bill 4. They will recommence tomorrow morning at 9 o'clock at the city hall in London. For your information, the clerk tells me that Fred, the bus driver, is waiting outside the main door. We were supposed to board the bus six minutes ago. Likely, however, he will wait for us till 6:30. I would suggest to the members that they assemble their belongings and meet at the bus as soon as possible.

The committee adjourned at 1806.

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Amendment Act, 1990

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Clerk: Deborah Deller

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Comité permanent des affaires gouvernementales

Loi de 1990 modifiant
la réglementation des loyers
d'habitation

Président : Remo Mancini
Greffier : Deborah Deller

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Wednesday 23 January 1991

The committee met at 0906 in the city hall, London.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Acting Chair (Mrs O'Neill): We are beginning again today the hearings on Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

I am Yvonne O'Neill, the member for Ottawa-Rideau. I am sitting in for the Chair and Vice-Chair who, for various reasons, have been unable to meet the deadline of 9 am this morning, but I am sure they will be along shortly.

FEDERATION OF LONDON TENANTS ASSOCIATIONS

The Acting Chair: The first deputation this morning is the Federation of London Tenants Associations. I would like to invite Mr Bouillon, the president, to present himself with whoever else he has in attendance this morning. Mr Bouillon, would you please begin?

Mr Bouillon: Good morning. My name is Leo Bouillon. I am a representative of the Eastview Gardens tenants committee. Also, I am with the Federation of London Tenants Associations.

My initial reaction to the proposed bill was that of great delight. The idea of having a freeze on rental increases seemed to be good at the time. I do, however, believe in equality and fairness. If we are to have landlords who keep up their properties on a regular basis and do preventive maintenance, we would be satisfied with occasional, reasonable rent increases. However, in our city alone, there are many buildings which are in a state of disrepair. It seems many landlords leave these buildings until they are no better than slums, decide suddenly to make large changes such as roofing, and then decide to double their tenants' rents.

Considering the fact that many of these tenants are low-income families and cannot afford to move or live elsewhere, they are forced to accept these increases and deteriorating conditions such as those on Cascade and Mornington. Because of the action of the tenants' committee on Mornington and the co-operation of the property departments at city hall, work was finally completed on one of three buildings. Cascade, however, is still in a state of disrepair. Very little if any work has been completed.

My fear is that although the bill is meant to protect the tenant against large rent increases, the wording in many areas is vague. I feel this could be used by landlords as a loophole to prevent them from even keeping up necessary maintenance. If it were possible to strike a balance between landlords and tenants, it would not be necessary to implement any legislation. If landlords were to keep up maintenance to liveable standards without attempting to

make large profits and tenants were protected against large increases, legislation again would not be necessary. Legislation in fact is needed to protect tenants against regular exorbitant rent increases.

However, I wonder what kind of protection Bill 4 will afford a tenant against landlords who will refuse to maintain a building. Many of the laws which are in place today are not very effective. For instance, in London a year ago, a landlord was fined by the city for defying a work order. This did not prevent this landlord from refusing to clean up his property; tenants are forced to reside in deplorable conditions.

Is it the intention of this commission to suggest that Bill 4 be passed as is, or make changes that will be necessary to protect tenants against living conditions which may be allowed to deteriorate?

The Acting Chair: Is that all?

Mr Bouillon: Yes, thank you.

The Acting Chair: You have been brief, Mr Bouillon. I am sure we have some questions. Who would like to begin? I do not know where we left off yesterday, so whoever puts their hand up first today, we will start the rotation that way.

Mr Tilson: I guess one of the questions we have is: How do we keep up? How do we have fair rent at the same time? I think tenants are prepared to pay a fair rent, those who can afford it. There are many across the province who cannot afford it, and that is another problem, but let's take the average tenant. How can we encourage landlords to maintain the buildings? We have heard, specifically in Toronto, of many landlords who have abused the process. They simply are not maintaining the buildings, and rents are going up and tenants are having difficulties.

One area I perceive is that perhaps provincial regulations for property standards can be tightened up. There are municipal bylaws that can be enforced. Perhaps tenants' associations such as yours can be encouraged to inform the tenants about the processes of having those bylaws enforced, about their rights under the provincial property standards regulations, the requirements under the Ministry of Labour, the requirements under proper health standards or fire regulations that are not being met by many landlords. I am wondering whether it is a matter of educating tenants to enforce their already existing rights. I do not think a lot of tenants realize the rights they now have. Do you have any thoughts on that?

Mr Bouillon: I agree that a lot of people do not know their rights. It has been my experience over the last couple of years when I did get involved, finding it extremely difficult to have the process changed.

A prime example is a place on Cascade, where a lady has been a resident for the past 15 years. Her place has

never been painted, the carpets never shampooed. This lady called me in September. When I got to her unit, I could see through the living-room wall; I could see completely through her unit outside, daylight coming through. It is very unfortunate. There are five of these buildings, and they are, as I said, in deplorable condition.

Mr Tilson: You will recall that the Treasurer indicated there would be \$700 million to help people through the recession. The Minister of Housing, as you may or may not know, announced that \$35 million of that would be directed towards the housing industry. I forget the specific figures, but a certain percentage of that, I think 15%, was to be directed towards low-rise housing. That, to me, indicates his acknowledgement that perhaps there is a down-fall in Bill 4 in not encouraging landlords to proceed with capital expenditures.

Should there be a subsidy program for low-income tenants? There are some tenants who cannot afford rent no matter what it is. Similarly, perhaps there should be a tax reduction to certain landlords whose only way of doing capital expenditures is to raise rents. At either level, should the government get involved in any of those programs?

Mr Bouillon: I would think that what we are looking at is basically helping tenants. To go back to what I had been discussing about Cascade, this case is unique. The building has gone into receivership, so it has complicated things on that level. Possibly subsidizing tenants would help.

The Acting Chair: Mr Tilson, it has been brought to my attention that the other deputant also has a presentation, so I would like to inform you that you have about three or four minutes left in your questioning. You may want to hear the rest of this presentation.

Mr Tilson: I was not aware of that.

The Acting Chair: I was not either, until just a few moments ago.

Mr Tilson: Depending on her statement, I may wish to ask her questions.

The Acting Chair: Okay, then. I am sorry I do not have your name, but perhaps you can begin.

Ms Eagle: Thank you very much. My name is Susan Eagle. I am a community worker, and I work for the United Church of Canada in the Cheyenne part of London, which is the east end of London, where there is housing for low-income families. They invited me to be part of this presentation today. We decided we would make separate presentations, because I am not sure whether we have some philosophical differences in how we would go at some of the solutions to tenant problems.

I have worked for the last six years in the Cheyenne area. During that time we have spent five years trying to take a landlord to court to get repairs done on the buildings there. We tried through the municipal bylaws and we also tried through the Landlord and Tenant Act to get repairs done. I am not sure if that is the reference Leo was making to a landlord who was finally fined \$6,000 last year when he was taken to court under the Planning Act, before we

got a significant fine against him. The repairs have been done but have still been done badly.

Out of that experience we learned a lot about how poor our laws are at insisting on repairs being done and how unprotected tenants are. From a personal perspective, I do not believe any landlord should be making profit at the expense of poor people. There may be a place for landlords to make profit from the affluent, but I do not believe that poor people who are struggling to make ends meet and to feed their children at the end of the month should be putting profit into the pockets of landlords.

To take that one step further, it ought to be in the interest of any government not to have that happen either, because for people on social assistance, those are tax dollars that simply pass through the hands of the poor straight to landlords.

I would support any freeze on rent, because already low-income people cannot afford the kind of housing costs they have. That is not to say that I do not think landlords should make enough money from housing so that they can do proper repairs, but our experience has been that the landlords are not using that money for repairs anyway.

In terms of enforcement, I would hope that there would be significantly more done by the government around enforcement. The Landlord and Tenant Act basically puts the onus on the tenant to make sure the repairs happen. They have to go and access the law, they have to find out what the law means, they have to find a lawyer, they have to go to court, they have to prove that the landlord has been negligent. I do not understand why it is the responsibility of the tenant to prove that a landlord is delinquent.

I am not sure if it is naïve to propose something like this, but when we are talking about restaurants, if it appears that a restaurant owner is providing a service to the public that is not healthy, it seems to me that that restaurant gets shut down pretty fast. It may be that what we need is some kind of licence for landlords, so that their licence is not renewed if their building is not up to standard.

When I thought about that, I wondered how many inspectors you would need to go around and make sure that repairs were done, apartments were up to standard, so that licences could be renewed. Then I calculated the cost to the public in the last five years of trying to take a landlord to court in this city. It is two small buildings, and during that time we have made extensive use of health inspectors, city inspectors, the city's legal department, the fire department, Ontario Hydro, the tenants' association, the police department, court time, legal aid, legal clinic time.

When I add up the cost of all that and spread it over five years, much of it happening almost on a weekly basis, I know it would be cheaper for this government to license landlords and have inspectors who go around once a year and say: "Sorry, your building is not up to standard. You don't get your licence renewed."

That does not mean tenants would be evicted. It means they would live there free until the landlord did the repairs. I think that would be motivation enough for landlords to maintain standards in the buildings without having to take five years of court time to force them to do that.

0920

The other thing I would like to suggest is in reference to making profit from poor people in housing. Philosophically, theologically, I do not believe that when people have a need for housing and for shelter someone should make profit from that. I think that means the government makes a much more significant commitment to non-profit and co-op housing. The Cheyenne tenants, when they began this process five years ago of saying, "We've got to force this landlord to do repairs," at the same time began to look at other housing.

In the last four years they have built co-op housing and are just about to finish 75 town house co-op units in the city. It took them four years, though, to build that because of all the hoops they had to jump through in order to build co-op housing, going back and forth with the Ministry of Housing.

They wanted to put in day care, but that was under the Ministry of Community and Social Services. There were different kinds of requirements that had to be taken into consideration. There were limitations on where they could get land, how much money they had for land, working with developers. It has been a tremendous struggle over that four-year period to build that co-op housing. It needs to be made easier. It needs to be made faster. It is going to take more of a commitment of government dollars for that to happen.

Again, in the long run I think it is in the best interests of the government to take the profit out of housing for low-income people. It may be an expense at the beginning in getting that housing built, but after that the profit is gone and you are simply getting service for your money.

I have probably talked too long, so thank you very much.

The Acting Chair: No, you are well within your time. Mr Tilson, would you like to continue your line of questioning?

Mr Tilson: Yes, I would. I congratulate you for coming. I agree with much of what you say with respect to the plight of many tenants. There are stories across this province of extreme poverty and how the government is going to address that. This hearing is designed specifically to deal with Bill 4. I do not know whether you have had a chance to direct your thoughts directly to Bill 4. A lot of what you say, I think you would have to agree, Bill 4 does not address.

Ms Eagle: That is right.

Mr Tilson: It simply does not address those problems, and those are very serious problems. One of the disadvantages, I suppose, of rent-freezing, from another side of the coin, is that rents can become so low in poor areas, whether it is London or any other city, that there would be no incentive for landlords to not only make maintenance improvements, capital expenditures, but even more important reinvest in newer, better apartment housing stock. I guess that is what I am looking at. Can a government be too restrictive in encouraging private enterprise to get into the housing market?

Ms Eagle: I think your choice is either to take the profit out of housing for landlords for low-income people or you significantly increase social assistance income and minimum wage. I think that is the choice you make and that is a hard choice.

Mr Tilson: Perhaps I could ask the same question of you that I did of Mr Bouillon, and that was, dealing specifically with that, should the government devise the subsidy programs specifically to low-income tenants, which could be very expensive of course, or should it perhaps even get into a tax reduction to the owner or landlord, which is specifically what the Minister of Housing has done in a way as a result of this most recent announcement, not a tax reduction but an incentive to landlords?

Ms Eagle: I guess my problem is a philosophical problem. I am not sure that people should make profits from the plight of poor people, and that is where I start. In terms of tax reductions and incentives, I am really not sure that ever solves the problem because there has to be some guarantee that landlords are maintaining the place in the first place. As I said, the way the system is set up now, it takes you five years to prove that they are not, and even then they get a really minimum penalty and still are not forced to do the repairs.

I think once you get into saying, "We want to give you an incentive," there ought to be some kind of incentive in a landlord who wants to provide that kind of service to the community. I think a far better incentive is saying, "We are going to prevent you being a landlord if you do not do a good job of it."

Mr Mammoliti: Two items that you talked about are two items that have been suggested to this committee consistently; that is, a licence for landlords and enforcement. Enforcement seems to be a priority to tenants out there as well, and two items that we have taken note of as well, just so you know that.

The whole issue around maintenance and repairs and making profit off of that is an issue that I am personally concerned about. I will read something from today's *Globe and Mail*. It is a quote from one of the lawyers in Toronto who has represented tenants for a number of years in and around rent review. I want to know what you feel about this particular quote. Richard Fink happens to be one of the busier lawyers in Toronto.

The Acting Chair: He appeared before us in Toronto.

Mr Mammoliti: Yes. It says that he is representing 3,000 units per month. That is how busy he is. He said yesterday in response to the minister's release about money: "Landlords aren't interested in the physical structure of buildings unless it can generate revenue. Repairing them is not going to help them generate revenue." That is something I am concerned about. If we give landlords money to do that and they are not going to do it because there is no revenue for them, then we have a problem on our hands. How do you feel about this particular statement?

Ms Eagle: I can only speak of the experience that I have had in east London. I want to say that I have also been a renter myself, and I have had good landlords so I am not here just to bash landlords. But my experience as a

community worker has been with landlords who really were derelict in their responsibilities. You could hand those landlords all kinds of money and they would just use it for a trip to go south. I think unless you are serious about providing good housing for people—you do not do it through the landlords. You are saying, “We are going to give you the money upfront and hope that you do something with it.” Yes, I agree.

Ms Harrington: Thank you both for coming here this morning. We appreciate finding out what the situation is here in London, especially, I guess, south London. You mentioned the story of trying to get co-op housing. I have been involved for over four years now with a women's group in Niagara Falls, the Young Women's Christian Association, which is trying to get housing. In fact the actual okay for the project was a week after I was elected, so maybe we should all get involved politically. It might help.

Mr Mahoney: That is what did it, absolutely.

Ms Eagle: We thought we did.

Mr Tilson: Margaret left and things improved.

The Acting Chair: Never underestimate the power of a woman.

Ms Harrington: The problem is getting your voice heard and making sure it is heard. I would like to start off by saying that I think what you are saying, both of you probably, is that the rent regulation system we have now, which is the Residential Rent Regulation Act legislation of 1986, does not protect tenants, because obviously the situation you have described is not protecting tenants. It is also a problem for small landlords. It is a bureaucratic nightmare. You have tried to get things changed with all legal means, and it has been years. So I think that is clear enough.

I would like to turn your attention to the proposal, which is Bill 4, and explain to you that as far as our government is concerned it is a breathing space only, to stop the situation in its tracks and to have both landlords and tenants come together and say: “What is the future? How can we make this work?”

0930

What we are asking for—I have written down some of your suggestions; we have our ministry staff here as well, who I believe are writing down all suggestions—is to look to the future. What we are really trying to do by rushing these hearings is to get this permanent legislation in place as soon as possible for the sake of both the tenants and the landlords, because we know that for a healthy business climate you have to have definite rules so that people can work with those rules. We are hoping to have that permanent legislation by the end of the year, which is very hopeful.

I would like just to state that you talked about a change in philosophy. I think that is why this government was elected—the idea that an apartment is more than an investment. It is in fact a home for the large percentage of tenants. That is what we are dealing with. We know that historically it has been an investment. Even buying a family home is a very huge, important investment for every

one of us in Ontario. But it is much more than that and we have to look at it as someone's home.

I wanted to go back to Mr Bouillon and ask him, in your building, what has been the increase in the last year?

Mr Bouillon: In the case of Mornington, there have been increases of anywhere from 10% to as high as 28% that have, again, been brought to my attention. Unfortunately, in this case, when a moratorium came down they were in the process of going into the second building. As I mentioned, the first building is completed and there are two others. The landlord chose to stop the work after the moratorium, as I mentioned.

Ms Harrington: I see.

Mr Bouillon: That is a case of the landlord not fulfilling his obligations.

Ms Harrington: Ordinary maintenance, we understand, was supposed to be covered in the guidelines, but you are saying that it is not really, that people are not doing maintenance.

Mr Bouillon: No. I guess the key word is “preventive” maintenance.

Ms Harrington: Right.

Mr Mahoney: The issue of bad landlords is something that I do not see being addressed in Bill 4 in any way whatsoever, and yet it is the main issue when we have tenant groups coming before us. We are hearing very much what you are saying to us, that they are simply not spending the money that should be apportioned as part of the rent, whatever percentage that happens to be. They are not spending it on maintenance. What we are really going around the province doing is trying to determine whether or not there is support for Bill 4, or whether or not there are amendments. I hear some suggestions about it.

By the way, taking the profit out of housing for low-income people is something that I think was basically done through the non-profit housing program, a bilateral agreement between Ottawa and the provinces. In the last government we unilaterally started to do that through Homes Now in taking the profits. I agree with that philosophy. That is not something, with all due respect, that any government can specifically lay claim to.

I would suppose non-profit housing was probably started in the days of the Tories, whenever that was, eons ago. It is a philosophy that is very valid. There is a process in place to do that, through co-ops, through non-profit housing. I believe the minister has reannounced the 20,000 units. That is great. I wish him well in delivering those.

I have not heard one tenants' group—including Councillor Gardner yesterday, with her very dramatic presentation in Toronto—tell this committee what Bill 4 does to force a bad landlord to be a good landlord. I wonder if you could tell me if the bill does.

Ms Eagle: I have a couple of responses to that. One is that the tenants are always feeling threatened by rent increases. There is always the threat of a rent increase about to happen, particularly in bad housing situations, even a feeling of, “If you go after me for repairs, I am going to make sure you pay through the nose through rent.” So

some tenants are even holding back, saying, "Well, gee, if I go and ask for decent conditions, I am going to have a significant rent increase," because that is in the message with the rent review legislation, "As soon as there is a repair done, boy, you are going to pay for it." For one thing, a rent freeze is going to take some of that fear out of trying to get repairs done.

I just want to respond too to your comments about the co-op and non-profit housing. I do not care who started it, but I hope the New Democratic Party is going to make it effective. Right now it is not effective. It is not enough. There is not enough housing. It is not happening in a proper and effective kind of way. That is one of my hopes from the new government, that it is going to make this thing work, not just work on paper, but work in neighbourhoods.

Mr Mahoney: This is probably a comment that is not necessarily related to Bill 4, but in response to that comment I find it is not the government that makes those programs work. It is groups that actually do it. I am a past president of Peel Non-Profit Housing Corp. I spent nine years on the board. It is the people out there on the street who make these programs work. All the NDP can do, or any government, regardless of political stripe, is to buy into the philosophy of providing the funds, the unit allocations, for the groups to deliver them. Whether they are YWCA groups or whether they are regional, non-profit housing corporations or church groups or whatever they happen to be, it has to be a co-operative thing. But anyway, I doubt that we would disagree.

My question was, can you tell me how Bill 4 does anything? Your answer was that it prevents rent increases and therefore if you go and ask the landlord for a repair job to be done, he will not come back and say, "I'll do it if you give me a rent increase." My fear of Bill 4 is that what he will say is, "I won't do it, plain and simple, because the government has taken away my ability to fund it." That really frightens me. We have seen examples. We saw photographs. We have seen deputation after deputation before us, who have come before us and said: "We've got cockroaches. We've got mice." I assume they have those same problems in London as they have in Toronto.

The Acting Chair: Would the deputants care to respond?

Mr Mahoney: Where does this bill address that issue?

Mr Bouillon: I have to agree with you that there are some major problems, although as Susan mentioned, this is a beginning. It does protect tenants for the time being until some form of legislation can be introduced that will protect tenants further.

The Acting Chair: I thank you both very much for coming so early this morning. We appreciate your presentation.

PARK TOWERS TENANTS ASSOCIATION

The Acting Chair: Would the members of the Park Towers Tenants Association rent review committee please come forward.

Mr O'Grady: Good morning, Madam Chair and members. Thank you for coming to London and offering us the opportunity of appearing before you.

The Acting Chair: We are happy to be here.

Mr O'Grady: I think the presentation I will be making this morning is slightly different from those that you have heard. I feel that I am within the context of Bill 4, because I believe Bill 4 is a draft bill. You had discussions last Thursday, as I recall, as to whether or not a certain memo that had been circulated indicated that when this bill is passed—I think the purpose of these hearings is to hear from landlords, hear from tenants and see what is missing in Bill 4 and what it does not contain. That is what my comments this morning will be addressed to and I hope you will take them within that context.

I am a member of the rent review committee of Park Towers Tenants Association. We are a 193-unit building. There are two units that are occupied either by the building superintendent or the assistant building superintendent. Therefore we have, net, 191 rental units, composed of bachelors, one-bedroom, two-bedroom, three-bedroom. I guess three-bedroom is the highest we have. We have about a 69% membership in our association.

0940

What my first concern is about is the method of increases for capital expenditures. I do not know whether they are going to be outlawed at all, entirely or whether amendments to the bill are going to revise and say there is some scheme on which we must allow capital expenditures to continue.

In any event, we have had three orders affecting our building since 1987. The first one was a minister's order retroactive to 1 May 1987. Then that was appealed by both the landlord and tenants, and the minister's order gave an increase of 14.9%. A minister's order gave an increase of 21.4%, again retroactive to 1 May 1987. Then in 1990, we had a further order, which gave an increase of 9.9%.

What happens within the present system is what I am concerned about. We got an increase on the first minister's order of 14.9%. That was made retroactive. The landlord elected to take the retroactive provision of that bill and collect back to 1 May 1987, approximately a two-year period. Then he took his statutory increase for that year. Unfortunately, under the present system the amount of the capital expenditures in that first order, which totalled \$86,224 on an annualized amount at 12.20%, were included in maximum rents. We were already paying interest on that money, on those capital expenditures, at 12.20% and there was no reason why at the next increase we should pay the annual allowed under the provisions of the act. That is double jeopardy. It is interest upon interest and I suggest to you it is unconscionable and perhaps illegal.

Within that order the amount of their capital expenditures is annualized or capitalized over certain amortization periods: 5, 10, 15 years. We have a debt there after the appeal order of some \$43,830.65, which should be repaid one year from now, approximately on 1 May 1992. There is no provision in the act, or in Bill 4, by which this can happen. I know Martin O'Connell made reference to it last

Thursday when I was watching this televised meeting in Toronto. I do not think the wording that is in the prologue of the bill, that the minister will review upon a further application—what landlord is going to make an application and lose all this extra money that is flowing in? It is a cash flow and I think it is illegal.

We are of the opinion that the ministry has made a grave error in incorporating the capitalized allowance for capital expenditures in maximum rent. The allowance for capital expenditures has been determined in accordance with the procedure set out in the regulation.

There are two concepts which you must understand and they are sometimes difficult when advising first-time home buyers. First, when interest on a mortgage is said to be calculated at a specified rate for a fixed term—amortized, that is—it is calculated not in advance. That is, you borrow from the lender at the first of the month and you make your mortgage payment at the end of the month for the use of the money for the month. It is neither calculated nor paid in advance. The monthly payment is constant during the amortization period, and if all payments are made on time, the mortgage debt will be repaid in full at the end of the amortization period.

The second matter that must be understood is the contrary of the above. Rent is paid in advance. That is, a tenant pays rent at the first of the month for the privilege of occupying the premises for the coming month. Capital expenditures are treated as a mortgage within the meaning of the act. Rent is paid in advance. These are separate, distinct entities. You cannot mix them. When a person buys a new home he generally finances the greater portion by a mortgage at a fixed, constant monthly figure. The other part of the owner's budget to carry the house fluctuates from year to year, ie, heating, utilities, taxes etc. These are operating costs. That is what section 100c of the proposed bill addresses. But you cannot mix a variable with a constant.

We have attached hereto in schedule 1 a brief history of the application presently used by the ministry of how increases each year apply. In schedule 2 we have put in one by which the annual increase applies only to the operation costs, and then you add to that, as a fixed sum, the capitalized, amortized amounts for capital expenditures.

The Acting Chair: Mr O'Grady, you have one minute. Would you like to summarize, please?

Mr O'Grady: Yes. At the end of that time we find that we have overpaid the landlord almost \$41,000 in extra interest. There is no possibility of a two-minute extension?

The Acting Chair: I think that would be unfair, Mr O'Grady. We have kept, as you know, very close to our time.

Mr O'Grady: The other one part I would like to address to you is that we feel and we have made a submission on it within the material, that the form of notice that is given to the tenants is illegal and contrary. It does not follow the prescribed form in the statutes that are prescribed and therefore it is illegal. We do not know where it came from. We have suspicions, but we do not know

where it has come from and we have set out in our brief reasons why that is not good.

The Acting Chair: Some people bring that point to our attention and, as you know, the minister has made comments on that as well.

We begin with Ms Harrington, and Mr Mammoliti is also wanting to speak.

Ms Harrington: Thank you for this very substantial brief. It is going to keep us busy for quite a while here.

Mr O'Grady: I hope so.

Ms Harrington: I wanted to ask you, you first mentioned the amounts of the increases and the retroactivity. Going back to, say, 1990 and 1989, what were the total annual increases that you experienced in the last couple of years?

Mr O'Grady: Let me put it more personally. I moved in there in 1985 and I guess my rent was just under \$400, and I think it is \$750 I will be going up to with this year's increase. So I am about, I do not know, whatever that works out to.

Ms Harrington: That is over a five-year period.

0950

Mr O'Grady: That is right. Well, no, the first increase was 14.9% by the minister. That was taken. The 21.4% was not taken by the landlord retroactively when the minister's order came out. They took just the balance of the 21.4% and took it from that date on, and they took the statutory increase that year. Then in 1990 they took their 9.94%, I think it was, that they were granted.

Ms Harrington: Can you describe to me the state of the maintenance of your building? Would you say that the maintenance is in good condition?

Mr O'Grady: One of your presenters yesterday afternoon was from Realstar Management. They have an arm, I believe, in this, Realstar property management. Since they took over our building, we have absolutely no complaint as to the maintenance and that. We are quite pleased. That is my personal opinion and I have discussed it with several tenants.

There is only one thing as far as their maintenance is concerned and maybe it is not germane to this discussion, but when they fix up the building and they redecorate it to their colours, that bugs me, although it does look beautiful.

Ms Harrington: So maintenance should be covered.

Mr Winniger: I think I know that a good portion of your increase was due to a certain one-time capital cost for a parking lot for your building. Do you have any concerns about the manner in which that capital cost was allowed? I ask you that because a lot of the landlords are complaining that they are not being allowed their capital costs under Bill 4.

Mr O'Grady: The capital expenditure was in the neighbourhood of \$450,000. When you look at the material, you will see the difference between the minister's order and the appeal order, and that accounts for that increase.

The landlord did have before—I need to go back. He bought the building in July 1986. He did get, prior to

purchasing, a consultant's report. When they got to the question of garages, the consultant said—I do not have it with me, but anyway basically he said, "Look, your organization knows more about repairs to garages than anyone in Ontario and so I am not commenting further, except to say to do nothing would be dangerous."

They did do something. We made submissions on that. The minister agreed with our submissions and that was sufficient notice to the landlord as to the condition of the garage. It is not a regular garage. It is just a covered—no door on it; you drive in. When you go in there and you have plastic sheets hanging down over the parking spaces so that drip does not come down and ruin your car, then I think it is quite obvious to anybody buying a building and seeing that, if he inspected it. Then the report was given within the one-year period—I am sorry, prior to his purchase.

The Rent Review Hearings Board, I guess it is, thought that was not sufficient notice to the landlord of the condition of the garage, even though that landlord had filed with the board—although one day late pursuant to an undertaking—material showing that they were one of the largest parking lot and parking garage operators within the Metropolitan Toronto area.

Mr Mahoney: Madam Chair, it seems to me that we should be charging a committee of the Legislature with the responsibility of going around the province to investigate the property standards in all of the different municipalities, and what the landlords indeed are doing with regard to repairs, or not doing.

That is not what we are here for. We are here for Bill 4. Forgive me if I missed it, but I would like to know your position on Bill 4 in relationship to how it will solve the problems that you have put forward. Just before you answer, let me just tell you that I am hearing, particularly from the government members, that in some way this bill is going to resolve all of the problems people are coming forward with. If it does, I just wish someone would tell me how. I am certainly open to hearing.

Mr O'Grady: I do not think it resolves anything. It just puts a stop order on a few things. It gives us a breathing space and gives me the opportunity to come up here and express my opinion to you. Hopefully, it will fall on open ears and might result in amendments to the act.

I do not think that the bill, as drafted, should be passed. I think it must have serious amendments among them.

I indicated that we have a loan, or I do not know what you call it. We are paying a capital expenditure through the landlord over a five-year amortization. We have several of them in there. We now have six, over different amortizations. But on 1 May next year one of them will be paid off. I expect that the operating cost allowance of the landlord will be reduced by what was allowed originally for those improvements.

There is no way or there is no place in the act, other than that, if he might make an application I can appear, and I do not think that should be. If there is a flow-through for the landlord, the flow should go the other way for the tenant.

The Acting Chair: I am sorry, Mr Mahoney, your time has expired.

Mr Mahoney: How much time did I have?

The Acting Chair: Three minutes. It goes very quickly.

Interjections.

Mr Tilson: The clock is running and I would like to ask my question.

I do appreciate your comments and I think that this committee will review them very carefully, and I hope the government will, because you certainly made some good points.

We are here, as you know—and you seem to be very informed with these proceedings and I appreciate that—to deal specifically with Bill 4. I think of course the government has been rather cute, to put it politely, because it is introducing this green paper which no one sees. I think that hopefully the government should be listening to people like you before it writes the green paper, which I suspect, listening to the minister and the parliamentary assistant, may be already written.

That process will take place at the end of February, as I understand it, or the middle of February. The green paper will be prepared. The minister himself will then go around the province and perhaps you will have an opportunity to speak to the minister on general rent legislation. Then the minister has indicated that there is going to be yet another series of public hearings to deal with the rent regulation system, so I think that all of your comments will be appreciated at that time and you will probably have at least two other times to speak.

My question is the same as Mr Mahoney's, directing your attention towards Bill 4. I appreciate your honesty by simply saying it should not be passed.

I would like to hear your comments, simply because you seem very informed, on the subject of retroactivity and the comments made by some of the people in the investment business as to how it is going to impact the overall economy of the province.

Mr O'Grady: I have in my briefcase a copy of a contract which is dated in January and to be completed the December before, which was presented to the Rent Review Hearings Board as a contract covering the garage restoration. You need to put some teeth into producing the guidelines, say, such as saying you have to produce a contract, you have to produce that you have bids, etc. I think maybe the new regulation that came in in 1990 covers that partly, but you have got to give something else so that the tenants can look at it. As for the retroactivity part of it, I think they have gone in there and done their work. Maybe there was some, as you say, a committee that goes around. Take a look at them, but examine them closely and make sure that what they did was necessary.

Mr Tilson: Sir—

The Acting Chair: I am sorry, Mr Tilson, but I think you have had the answer to your question. We now have with us both our Chair and our Vice-Chair. I would like to invite Mr Howe to come forward, and Mr Mancini will take his place in the chair.

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LONDON HOME BUILDERS' ASSOCIATION
NORQUAY HOMES LTD

The Chair: Good morning, everybody. Moving right along, the clerk informs me that Norquay Homes is next on the agenda. You have been allotted 20 minutes by the committee. I am assuming, if you were here for a short period of time, you know the procedure. You are allowed 10 minutes for an oral presentation, followed by 10 minutes of questioning by the committee. The floor is yours.

Mr Howe: My name is Michael Howe. I am speaking today on behalf of the London Home Builders' Association, and of course my own company, Norquay Homes Ltd.

From an industry-wide perspective, the implementation of this legislation in its present form is going to have a devastating effect on the residential construction sector. With no indication of how capital expenditures will be dealt with in the new legislation, except that the new legislation will in all likelihood be more restrictive, it is unlikely that builders will proceed in the next two years with construction plans for new rental apartments and town homes.

Who, for example, would commit \$10 million or \$15 million to the construction of a rental high-rise without being able to make meaningful repair, replacement and operating cost projections for the next 15 years, especially when it will require 30 or more years to pay off the financing required to construct such a building?

London, unlike Toronto, has the benefit of a vacancy rate of almost 3%, a level considered to be healthy by most public and private sector analysts. This vacancy rate amounts to some 1,109 suites according to CMHC figures. It may sound like a lot, but bear in mind that the marketplace in London has absorbed between 1,200 and 1,500 new suites a year for the past three years. That tells us that we have about a one-year supply of vacant units, and as a builder, that tells me that if I start a 200-suite apartment complex today, next spring when those suites are completed and ready to rent, there should be a strong demand and the project will be a success.

While this is only one of the considerations, interest rates, labour supply and land availability are the other major factors. Let's take a look at those other factors: First, interest rates are dropping and will continue to drop over the coming year to levels that make a new building financially viable; second, with the present recession we have a good supply of labour, an indication that our costs will be stable; and third, there is still a reasonable supply of serviced multifamily land in the city.

It would appear then that the time is ripe to start rental buildings all over the city, but that is not happening and will not happen with owners and lenders unsure of whether these buildings can ever be made financially viable. A call to London's chief building official indicates that his annual survey of builders, architects and owners forecasts a start of some 350 private sector apartments, and of these only one 40-suite project has been applied for to date. This is in

comparison to forecasts of 1,400, 1,500 and 1,200 for the years 1988, 1989 and 1990 respectively.

This legislation in its present form would prevent those who have completed, in good faith, structural improvements to their properties in accordance with the present legislation the ability to recover the cost of those improvements. This legislation evolved from long and tough negotiations between representatives of both landlord and tenant groups, and while it may be imperfect and require amendment, it is patently unfair to penalize those who have made expenditures or taken on financial obligations based on the law as it existed and as it presently exists.

It is simply a matter of fairness and equity, principles that this country is founded on, that those who would be caught in the transition to new legislation are grandfathered, and this legislation ought to be no exception. One simply cannot ignore the plight of small and medium-sized owners who have borrowed money to make needed repairs on the expectation that rents would be increased sufficiently to pay the interest on those loans and retire the debt over the expected life of the improvement. The stories of financial hardship and disaster are very real.

While it is fine to make a lot of generalizations about what may happen or what could happen, I would like to look at how this legislation has affected my own company and how it may affect us in the years to come.

We have constructed in excess of 1,400 rental units in the last six years. All but 39 of those units have been what is commonly described as affordable housing, largely a mix of family-style town homes, low-rise apartments and larger high-rise, high-density urban developments. Given the uncertain climate of what the new operating rules may be, we have suspended construction of the fourth and final building in a 540-suite rental complex and other smaller rental projects planned for the coming year, representing some \$15-million worth of work. While they may be completed in the future as rental buildings depending on the outcome of amendments to the rent review legislation, they may well be completed as owner-occupied condominiums.

This will impact on the supply of affordable housing in two ways: First, had we continued to build these rental buildings, they would have contributed to the ongoing supply of rental housing units coming on to the market, helping to keep the balance of supply and demand and thereby moderating price increases; second, if they are built in the future as owner-occupied condos, then they are forever denied to the public as affordable rental housing.

While I do not have any illusion that my actions alone will have much effect on the supply of housing in London, I do believe from conversations with local members of the industry that my reaction to this legislation is consistent with the cautious approach of many other builders and owners in this city and that their collective action will have a major impact on the supply of affordable housing in this city.

As a government, the last thing you want to do is make it so unattractive to build rental apartments that the industry simply builds condominiums for owner-occupiers because it is easier. This will compound the shortage of

rental accommodation that presently exists throughout Ontario.

The effect of our decision to discontinue rental residential construction is that some 16 employees in our residential construction division have been laid off in the last few weeks, and we anticipate that an additional 18 employees will be laid off over the next few weeks and months as projects under way are completed. These are permanent layoffs in most cases, as we see little opportunity for the construction of new rental housing in the near future. It is estimated that an additional 100 employees of our various subcontractors and suppliers will be similarly affected.

In addition, we had made plans to make cosmetic improvements to flooring, carpets, cabinets and so forth in some of our older rental suites after a survey of tenants indicated that they would welcome this work on the understanding that there would be a small increase in rent as permitted under the rent review guidelines.

Unfortunately, with the suspension of rent review rules as contemplated by this legislation, we have had to abandon any thoughts of doing this work now and providing full-time employment for some of our staff. This legislation will result in additional layoffs and the cancellation of over \$200,000 worth of improvements planned for this year in one of our developments.

As I have stated earlier, one of the most unfair aspects of this legislation is its retroactive nature. On 3 May 1990, I and other members of my staff held a public meeting with tenants of our oldest complex, a 20-year-old, 135-suite town-house project, to advise them of proposed repairs that we were planning to undertake during the coming summer months. The work consisted of replacing all roofs at a cost of \$146,822, replacement of exterior lighting at a cost of \$28,272, and exterior painting of window frames, door frames, soffit and fascia at a cost of \$47,165. This would result in a total expenditure of \$222,260.

This work was commenced in May 1990 and completed in its entirety in September 1990. Submissions were made to rent review services as required and we have been advised by rent review services that no action will be taken on our application as a result of the announcement by the government of Ontario that legislation suspending rent increases for capital improvements was imminent.

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The work undertaken by our company consisted of needed structural repairs required to protect and preserve the complex, was made in accordance with the rules that were in place at the time the work was done, was not for luxury improvements and would have resulted in a rental increase of 4.1% or approximately \$24 per month. It is unconscionable to retroactively change the rules under which we operate and under which the expenditures of vast sums of money are made annually by this industry.

At the time that the public meeting was held to discuss these improvements with our tenants, it became apparent that many of the tenants were far more concerned with having new and updated carpets, flooring, kitchen cabinets and such. For example, the lime green, gold and dark brown shag carpets that were popular in the late 1960s and

early 1970s are in most cases still serviceable, but many tenants would like to have them updated to today's off-white plush-style carpets and would be prepared to pay a reasonable cost to have this improvement. On the other hand, there were an equal number of tenants who were content with the interior finish of their suites and did not wish to have any interior work done and certainly were not interested in paying for such work.

The existing legislation allows us to do cosmetic work for those who wish it and not to do it for those who do not wish it. In addition, the owner is able to complete and finance the cost of major structural repairs in order to maintain the integrity of the building. Unfortunately, we have now had to advise our tenants that we are unable to complete the cosmetic work they requested as a result of the freeze on rent increases resulting from capital improvements.

I am sure you have all heard of the taxpayer revolt that took place in Kent county as a result of large tax increases there. Last year, in the city of Chatham, as a result of a wide range of circumstances, the municipal taxes on a 98-suite building that we owned were increased from \$86,452 to \$109,463, an increase of 26.6%. Almost one fifth of each tenant's rent is paid directly to the municipal government in the form of municipal taxes, and increases of this magnitude are not recoverable in the normal inflation-type annual rent increases, especially when they are taken in conjunction with the increases in utilities, supplies and general maintenance costs. In addition, we do not have the luxury of withholding taxes like some other taxpayers in Kent county, as this would constitute default under our mortgage financing.

In our particular situation, we decided to absorb the increase while we undertook an appeal of the taxes with the belief that there would be some relief. The appeal was heard in October 1990, almost a year after the taxes were increased, and it was denied. At this point, we had no alternative but to pass the tax increase on to our tenants, as we are expecting another large increase in taxes in 1991, and it was felt that, along with anticipated utility increases of up to 15% in 1991 resulting from the imposition of GST, we could not continue to absorb this increase of over 26%.

In this situation, the present rent review legislation has permitted the pass-through of the extraordinary portion of the tax increase. Had this remedy not been available, these types of increases would soon bankrupt us, as our expenses would quickly reach the point where they exceeded revenues.

In summary, I would like to suggest to you the following:

1. That no changes to the rent review system take place without the input of both tenant and landlord groups and that any changes be the result of fair and equitable negotiations.
2. That the retroactive nature of the present legislation be modified to exempt work which was undertaken or under way prior to the announcement of Bill 4.
3. That any amendment to the rent control legislation should include provision for the recovery of costs related to capital improvements of a structural nature and provision for the recovery of expenses related to capital

improvements of a cosmetic nature where the tenants and landlord mutually agree to the cosmetic improvement.

4. To amend Bill 4 to permit structural repairs to take place under the present rules, so that owners can take advantage of the general slowdown now being experienced while the government completes its review of the present legislation.

These recommendations would permit the government to complete its review in a timely manner without the fear of large rent increases resulting from real estate flips and luxury improvements, while allowing the day-to-day operation of our buildings to continue in a fair and equitable manner in conjunction with the existing legislation.

The Chair: Thank you very much for your presentation.

Mrs Y. O'Neill: I have two very short questions. Could you tell me the kind of labour, the skills of the people you laid off?

Mr Howe: They range from general labourers to skilled concrete finishers, concrete formers and carpenters to project superintendent.

Mrs Y. O'Neill: So it is a broad range of people you have had to release.

My second question has to do with your statement that you were advised—it was the London office of the Ministry of Housing that you were dealing with regarding the application. Is that correct?

Mr Howe: That is correct.

Mrs Y. O'Neill: And you were told that no action would be taken on your application?

Mr Howe: That is correct.

Mrs Y. O'Neill: Were you given the option to file or not file?

Mr Howe: We did file, but we were advised that there would be no action taken.

Mrs Y. O'Neill: So you have got an application in place at the present time?

Mr Howe: That is correct.

Mrs Y. O'Neill: Thank you very much.

Mr Tilson: Incidentally, I have copies of this.

Mr Howe: I have copies for you.

Mr Tilson: I think we would probably all find them very useful. You obviously thought it out and I appreciate your remarks.

The most notable observation that I have with respect to your remarks is the fact of your describing the situation in London. Information given to us by the Ministry of Housing yesterday indicates that vacancy rates in London, at least of the cities that we have been considering attending, are the highest in the province of Ontario.

Mr Howe: That is correct.

Mr Tilson: As well, the building permits that have been issued for the city of London—I presume it is the city of London, I do not know whether it includes the area or not—since 1987 have been halved. That backs your comment that people are simply getting out of the housing

area. These calculations are for multiple building dwellings, and they have been halved.

I suppose, considering the vacancy rate—I get the impression from this government that it believes that the sun rises and sets in the city of Toronto and I guess my question is with respect to the overall legislation as it affects other areas of the province. In other words, what is good for Toronto may not necessarily be good for the city of London. The problems in Toronto, and I am sure you are aware of some of them, may not exist in the city of London or London and area. Do you have any thoughts on that?

Mr Howe: There is an all-time cheap joke down here, that a lot of people in Toronto think that Ontario ends at Highway 10. Unfortunately, it is a feeling that we do get. Some of the legislation that comes out of Toronto is tailored to deal with major problems in the Toronto area, and we understand that. Unfortunately, we do not have those problems in London and North Bay and Kingston and places like that. For example, in London we have a very active group of builders of rental apartment buildings and, left to our own devices, we will have the vacancy rate up to 10% very shortly. In 1981 we had a vacancy rate of over 6% in this city. Toronto was sitting at zero. They are not always the same situations down here.

Generally, as a rule, we do not seem to have the major conflicts with our tenants that you find in Toronto. Most builders, most developers, most owners in this city are responsible. We have our bad apples, just like everybody else, and we want to get rid of them just as badly as you do. But the main situation here I think is that we have a different situation. Even the man who spoke before me, while he may not be happy with the situation or with the way all his rent increases have gone, still said to you, "Yes, but they look after the building and it's nice." That is the thing you will find down here, that most of the tenants will say that.

Mr Tilson: With respect to remedies for the situation, many of the jurisdictions in the United States do not have state-wide rent controls. Some of them do, some of them do not, some of them are zeroed in specifically on cities. I guess I am thinking out loud and looking for some sort of reaction from someone like yourself. If vacancy rates rose to a specific level in specific areas, and I do not know what level that would be, it might not be healthy to have rent controls in those specific areas. Do you have any thoughts on that?

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Mr Howe: That again is a possibility that we have suggested to past administrations, and locally I think there is some support for it. Whatever we say, any action that is taken on rent review, because it is such a major effect on the economy of this province, should not be done ad hoc. It needs input from both industry and from the tenant groups. They cannot be left out either. They have a very important say in what goes on here. I think equally the industry has a lot of input. There are a lot of pitfalls in any hasty legislation. My recommendation to you is, do not do anything other than try to protect yourself from the major

problems that we see out there. Those are the real estate flips and the luxury improvements. Let's work with you.

Ms M. Ward: I would like to ask you about the new-building-start drive. You say in your brief starting on page 2 that it appears this is a good time to start building. Then you say, "But that isn't happening, and won't happen, with owners and lenders unsure of whether these buildings can ever be made financially viable." My question is how this legislation relates to new building. I think it is a different argument if you are talking about older buildings where you want to make major repairs that, at least in the interim, will not be allowed to be passed on. What relationship does that have to a new building, which is not affected by that type of thing at all?

Mr Howe: Mr Chairman, through you if I may, when we start up a large apartment building we set our rent in accordance with the market around us. The market includes a large proportion of units that are rent-controlled and therefore the rent is down much lower than it needs to be for a new building, given today's cost. I think if you are familiar with the non-profit housing, you are looking at unit costs in the \$75,000 to \$125,000 range. We look at most buildings as being in a financial loss position for the first five years. In other words, we deliberately set the rent low to be competitive within the marketplace. Otherwise we would never rent the units.

By rights I need \$1,000 a month for a two-bedroom apartment today on basic, sound financial planning. I cannot get it, but I can get \$750, so I rent at \$750 knowing I am going to lose money for three or four years, but also in my financial projections I know that 10 and 15 years down the road, when I am into my major capital expenditures, I am not going to drive myself back in the hole again by borrowing \$2 million to go out and replace all my fridges, my roof, make major repairs to my parking garage, this sort of thing. I have to know those things when I start, because once I commit myself to that opening day rent I am tied to it by the rent control system, to those simple increases of whatever they may be. So my opening rent is extremely important and this legislation does have a lot to do with that. Since I cannot get \$1,000 a month, I cannot build.

Ms M. Ward: But the market right now, if you have, what did you say, a 3% vacancy rate, that vacancy rate is going to be depressing the rents too and it is the market rent that is setting your rent for your new building then. That is what you are telling me.

Mr Howe: Effectively, yes, the market forces are working, but as I said earlier, in 1981 we had a vacancy rate of 6% in this city and we would be there again in a minute, if it were not for this legislation, by the end of this year. That is the direction of—

Ms M. Ward: At 6% vacancy?

Mr Howe: Yes.

Ms Harrington: I would like to recognize the home builders in Niagara region. I have sat on the regional committee with our home builders.

The Chair: This is committee time now.

Ms Harrington: I would just like to mention, over the past few years in the Niagara region, at least, the home builders have made a very good living because they have been building a lot of large homes. Now they are looking towards various levels of government to work for affordable housing, because that is where the market is now, and they are looking for subsidies.

You mentioned all the units you have built over the last six years and that many of them have been affordable. I think that is very commendable. You mentioned also that, left to your own devices, you would be building. Is that right? Of course, this is a good time to build. I know that. Over the past, say, six years that you mentioned, how many of those units have involved government dollars to get them built, say, out of 1,000 units?

Mr Howe: I am picking a number off the wall; I hope I am correct. I would say about 30%. We have been involved in CORSP, the Canada-Ontario rental supply plan, and under the convert-to-rent program. So we have taken advantage of those programs. I think it is a direction the government should look at. It is not absolutely necessary here. The majority of the buildings we have done in the last three or four years have been totally without any government involvement simply because those programs do not exist any more.

Ms Harrington: I just wanted to briefly mention that the municipal tax is a pass-through in this Bill 4 legislation. I am sure you realize that.

Mr Howe: I am aware of that. I just wanted to make sure it did not get changed. What I wanted to draw to you is just an example of what happens to us. It is frightening when it happens because you have no warning.

JOSEPH HOFFER

The Chair: Next on our agenda is Joe Hoffer. Sir, if you would just please come forward and state your name for the record and whom you are representing; the committee has allotted you 20 minutes, 10 minutes for your presentation.

Mr Hoffer: My name is Joseph Hoffer. I am a lawyer here in London with Cohen, Melnitzer. I represent a number of landlords who are my clients. I am here basically to touch on three points. I will expand after I list them to you, but the first point I would like to make is that the manner of imposition of this legislation and its retroactive nature is punitive and it is grossly unfair. I will go into some particulars on that. The second point I would like to make is that it potentially contains, within the ambit of the proposed legislation, economic disaster for the housing industry.

The third point I would like to make—and I understand that one of the driving forces behind this legislation has to do with the government's mandate and promises made prior to the election—it is my submission that there is no mandate to retroactively impose punitive measures on people who have, for the last four years, been obeying the law of the province. It strikes me as extraordinary that this government would change that law retroactively and punish people as a result. I am going to go into some particulars.

Bill 4, as it is proposed, retroactively affects applications; not applications filed 1 October or not applications that were filed when the NDP were elected, it affects applications in some cases that were filed years ago. For example, we have an application that was made in 1989 that is directly affected. I have given an example of that in the handouts that either will go to you or have gone to you.

Another application was filed by a landlord in April 1990. That application had a first effective date of February 1991. The landlord filed it in April 1990 so that there would not be a big time delay before he got the order in February 1991. The NDP proposals completely wipe out that application even though it was made in good faith many months ago and many months before the NDP was elected.

I have a case that I hope has been handed out to you. It is a handout. The first page says, "List of Lost Contracts Together with Lost Value of Contract" and so on. I hope you have those materials. As part of that material I have given you, you will find what is called a conditional order that is issued by the Ministry of Housing. That conditional order, if you look at it, was actually made or applied for in May 1989. What the landlord essentially said was, "If I do these things, what sort of rent increase can I obtain?" This was filed under the act; it was a perfectly legitimate exercise.

The minister, while taking nearly a year to consider this application, ultimately issued an order. If you look at the first page, it is very official-looking. It says, "It is hereby declared...the amounts set out will be allowed in a subsequent application." Then it goes on to list ranges and refrigerators, balcony repair and so on and so forth; if you look at these things, no reference to gold doorknobs, no reference to marble lobbies, nothing like that. These are bread-and-butter expenditures to an older building. This is what the landlord was told he would receive if he did the work.

The landlord did the work and spent the entire summer doing the work and was still in the process of doing the work when the NDP announced Bill 4. The landlord immediately stopped any work on the building and for a very good reason, because Bill 4 said that the administrators were to ignore the conditional order that he had received. As a result, if you look at the first page of this handout—this is the building I am referring to—a lot of the work was done. That is going to be a windfall for the tenants and a severe loss for the landlords, but there are a number of other people who are going to experience losses and a number of people who are not going to be working on this building as a result of the NDP proposals. Before I run through this list, I would like to remind this committee that Mr Cooke, when told by a contractor that he would lose his job, stated to the press and stated publicly that he did not believe that contractor. Hopefully, if he ever sees this he will believe that some people are losing work.

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This property is at Ouellette Avenue in Windsor. The contract for the purchase of 125 fridges and stoves was cancelled. The 1989 price of that contract was \$104,000. The party who has lost the contract is Inglis of Mississauga. That is a manufacturer and that includes, of

course, the people who work in the Inglis plant. Those fridges and stoves will not be bought.

There is plumbing—risers that were going to be replaced in the building, a contract for \$125,000. There is a shared loss here of \$125,000 which is the 1989 price. The shared loss is between Atrium Construction in Windsor, Essex County Plumbing and Heating in Chatham and Albert Lussier, who is a tenant of the complex and who was hired by the landlord to do a number of jobs related to the plumbing work. He will not be working, as well.

Roof replacement, \$85,000—that contract was lost by Rauth Roofing of Windsor. Window caulking—that contract was lost by Dencol Contracting and Atrium Construction. That is a \$40,000 contract.

The next three pages contain examples of other applications where the landlord was proposing to do the work and in some cases had started to do the work and as soon as Bill 4 was announced the landlord stopped. These relate to buildings in London and you will see Jerry Damen Installations lost a \$79,000 contract. Stacey Plumbing and Heating lost a \$44,000 contract.

The list of suppliers goes on throughout. These few examples, and I should point out that these are just a few examples, were immediate responses when Bill 4 was announced. If you look through these you will see that on four buildings there are over \$1 million of contracts that have been lost. It is not the landlord who is losing these contracts; it is the tenants and it is the contractors and it is the subtrades who are losing these contracts. While it is all very nice that we are going to have fixed rents, the fact is that there are a lot of people who are not going to have jobs and there are a lot of people who are not going to be living in very nice conditions until something is sorted out.

Probably the most unconscionable aspect of it all is that all of this work was planned and, in the case of the first building, it was actually carried out on the strength of a promise by the provincial government that this is the law and if you do this, this is what you will get. So the person did it and he did not get what he was supposed to get. In my submission, if this committee recommends a retroactive imposition of these controls, you are bringing the administration of justice into disrepute. You are saying to people: "We don't care if you follow the law. We don't care what your circumstances are. We are going to punish you even though you followed the law." On the other side of it, landlords who go in front of the hearings board and say, "Well, I didn't understand that this was the law," are very condescendingly told, "Well, you're a landlord; you should know what the law is." You can see, when you look at the proposed retroactive effect of this bill, that it does not matter what the law is. What you are saying to people is, "We are going to change it whenever we feel like it." In my submission, that is wrong.

In terms of whether or not the NDP has a mandate to do this, I am well aware of Mr Cooke's statements prior to the election, and Mr Rae's statements. Nowhere have I seen statements where they have said: "When we get elected, we are going to change the laws backward in time. We are going to change the rules after the game has been played." There is no mandate, in my submission, to do that

and that, from anyone's sense of fairness, should be completely outrageous, that they even contemplate doing this. Those are the submissions that I would like to make.

Mr Tilson: I appreciate your thoughts, sir, if anything because you provide not necessarily philosophical points but facts. That is appreciated. As a lawyer, I might tell you that we have had a number of applicants talk about potential lawsuits and even literally threaten the government with potential lawsuits as a result of Bill 4. You may have been following the proceedings and it may be unfair; it may not even be your expertise.

But I would like to hear some of your thoughts on the legal implications as to (a) is this legislation possibly unconstitutional; (b) has there been misrepresentation by the government comparing it to the types of cases where a building inspector says, "This is the state of a specific property," a builder goes ahead and does the work and then it turns out it is not and the building inspector and the municipality have been held liable; (c) the possibility of third-party proceedings of breach of contract as a result of the retroactivity you have spoken of. I would like to hear some of your thoughts or whether there are any other legal implications that you might think of as against the government and what that will cost the taxpayers of this province.

Mr Hoffer: Certainly from my clients there has been great interest in whether or not this is lawful. The obvious unfairness of the legislation on its face encourages that type of question to lawyers. I know that a number of other people are looking into the question of whether it is constitutional or not, but I also know, having looked into the question of retroactivity when Bill 51 came in, that the government can basically do what it wants.

The problem I have with this particular situation with Bill 4 is that there has, in the research that I did—and I did it extensively—never been a case where the government has come in and said, even where you have an order under the past legislation, "We're going to wipe that out." I can tell you that, whether it is legal or not—and I am sure that it will be tested—the courts that administer justice in this province severely limit the effect of retroactivity because of its inherent unfairness to people. All I can say is that in the course of research I have never seen tested a piece of legislation that is so punitive and so harsh as this one.

Mr Tilson: Thank you. Those are my questions.

Mr Winninger: I happen to know, Mr Hoffer, that you probably know as much about rent review as any lawyer in the province and the principal in the law firm you represent was in fact one of the architects of Bill 51. You would agree with me, would you not, Mr Hoffer, that when Bill 51 was enacted it was retroactive for a full 17 months, back to August 1985? A lot of those landlords who bought apartment buildings that were not covered by rent review that were erected after 1976 or where the rents were over \$750 were affected by that retroactive legislation, as were tenants who faced increases retroactive to 1 August 1985. My point is, Mr Hoffer, why are you complaining about retroactivity now where it benefits the tenants when you did not complain about retroactivity when it

benefited the landlords and in some cases was injurious to the tenants when Bill 51 came in?

Mr Hoffer: First of all, thanks for the compliment. Second, given the expertise that you have attributed to me, I would like, in response to your question, to point out a couple of the inaccuracies in the speech which preceded your question. First of all, I agree that Bill 51 was retroactive; however, there was a provision in Bill 51 that the Legislature put in recognizing that retroactive legislation was unfair and that provision was section 73. So what they said to landlords of post-1976 buildings, of complexes with rents of \$750 or more, was, "We are going to impose this legislation on you retroactively; however, if you do certain things you can make an application and justify the increases that you took."

You did not mention that in the speech which preceded your question and that is very important, because it is a remedy in recognition of the unfairness of the retroactive nature of the legislation. Landlords availed themselves of that remedy and the ones who did not were restricted to the statutory increases. With the ones who did, there is one case where the landlord received a 0.28% increase, not a statutory increase and not the 100% increase Mr Cooke outlined at the start of this entire committee. So that is one thing. It was retroactive, but there was a remedy in recognition of the unfairness.

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The second point you make is that tenants were faced with retroactive rent increases. That is absolutely untrue. A tenant cannot receive a rent increase greater than the notice of rent increase that the tenant has already received. In 1987, all of these tenants had already received notices of rent increase. Their rents could not retroactively be increased beyond what they had already been served with. The only retroactive aspect to the increase came about as a result of an increase they may have been awarded in their maximum rents above the guideline. The hearings board has clearly said: "We're not going to give you any increase above the maximum. We're going to give you whatever you charged back in 1985 and 1986."

Mrs Y. O'Neill: I just have one question. I would like to bring you back to your first exhibit on the Windsor situation. This is a conditional order. Has there been application made by these people to the—

Mr Hoffer: For the work they have already done. They were actually still in the process of completing the work when Bill 4 was announced. They stopped doing the work. They cleaned up the loose ends. They had to replaster things.

Mrs Y. O'Neill: What is the state of their application at present?

Mr Hoffer: It is going to be filed by the end of January 1991.

Mrs Y. O'Neill: So you are going to proceed to file in London?

Mr Hoffer: Yes.

Mrs Y. O'Neill: Have there been any instructions from the London office regarding that application?

Mr Hoffer: Not that particular application.

Mrs Y. O'Neill: Can you tell me about what you know is happening in the London office?

Mr Hoffer: Yes. I filed applications for the last three or four months with the London office. When Bill 4 was announced, any applications filed after that announcement, the tenants received a letter basically saying—first, there was no letter that said, “You have so many days to make submissions,” which always came with an application.

Rent review services did not solicit submissions from the tenants or the landlord. Instead, they sent a letter saying, “Bill 4 is coming along and it’s going to change everything, so we’re not going to do anything for the time being.” I subsequently wrote and asked rent review services to proceed with the application because Bill 4 was not law. They wrote me back and basically said that regardless of what this other letter said they were in fact proceeding with the application, but it is caught in a backlog and they have other priorities and so on and so forth; so nothing has happened with those applications.

Mr Mahoney: I only have time for one question. Could you, with your expertise, make a suggestion about what kind of remedy might be put into this legislation to deal with retroactivity?

Mr Hoffer: I think what should be done is what the law, what the courts have always recognized is the fair thing to do, that for work done prior to the announcement of this legislation, the landlords and tenants should be treated under Bill 51, when the announcement was made of the intention to change the legislation. Any work done after that time or started after that time should be treated under the new proposals, but you should not completely change the rules after people have relied on the past legislation.

In terms of the quick fix, which Mr Cooke purports he needs to do, there is no reason why a cap cannot be placed on the allowances generating under Bill 51.

The Chair: Thank you. We appreciate you coming before the committee.

Mrs Y. O'Neill: Mr Chairman, as the next deputants are coming forward, I did request information from the ministry of what was actually happening in the offices. I wonder if that question has been placed to the ministry. I asked for the answer in writing—another weekend is quickly approaching—so we could go back to our constituents and tell them exactly what the situation is.

The Chair: Very good. The clerk is going to doublecheck on that.

MARSHALL RESOURCES (ONTARIO) LTD

The Chair: Would you please identify yourself and the organization you are representing and whatever position you hold within that organization? You have approximately 20 minutes.

Mr Schnurr: Thank you, My name is John Schnurr. I am president of Marshall Resources (Ontario) Ltd, which is an agency that acts for small landlords in southwestern Ontario in rent review matters and in landlord-tenant disputes. We act as mediators. I am here today hopefully to

assist in averting a travesty with respect to rental housing in Ontario.

I myself am a small landlord in this province. I am a voter and I am a taxpayer. I have in the last 12 months reduced my portfolio of apartments from 65 units to one duplex. I have no intention of re-entering the marketplace in Ontario until I see a dramatic change in the direction of the provincial administration in this province.

In so far as my remaining duplex is concerned, I gross a total rent of \$750 per month. I purchased the property for \$51,000 in 1989. I have replaced the roof, the plumbing and the porches at a cost of \$14,000. The building requires siding, insulation, windows, rewiring and a modern heating system, at an estimated cost of \$35,000. The taxes are currently \$1,400 per year and the utilities are running approximately \$2,700 per year. My mortgage payments on this property are \$7,200 per year. In the last 12 months I have had 8% vacancy and 12% in bad debt. A quick tally will tell you that this duplex shall become a single-family dwelling for resale as soon as I can possibly do it.

The rental housing industry is the basis of my service business, Marshall Resources. Since 1984, we have handled evictions and rent review services primarily for small landlords in southwestern Ontario. Currently, we are agents for some 560 small-to-medium-sized landlords in this area, so I am speaking not for the corporate giants but the mama and papa landlords, the people who have purchased rental properties as a retirement project.

I speak with reasonable knowledge of the rental situation in this area. I can tell you that because of this legislation, speaking specifically of Bill 4, more and more small landlords are leaving the industry. Approximately a year ago I was retained to manage a 75-unit complex in Samia. This building had been purchased by a Toronto investor who, after a review of the existing legislation, decided he could improve the building and over the long term pay for the building. It is his retirement fund. This man mortgaged his home and his business. The building itself required extensive capital costs in the form of new bricks, windows, a roof, refit on the elevators and a general cleanup in the common areas. The work was estimated at approximately \$750,000.

The building, on closing, was under review from 1988 showing an operating loss of approximately \$158,000 for the base year. This application was approved, giving the new landlord an 11% increase in the rent and a phase-in of 5% per year until the loss was retired. Based on the order, the new landlord was prepared to execute the capital improvements as outlined. However, all work has been cancelled as a result of the announcement of the minister in November.

The phase-in would have brought the building to a break-even position in the fall of 1992. With the increase in debt load as a result of the capital costs expended to date and the increase in financing costs as a result of the purchase, combined with the wait for the recovery as proposed under Bill 4 of the GST and the increase in vacancy in the Samia area, bankruptcy for this investor is all but guaranteed.

The minister in his remarks to this committee cited a number of cases of what amounts to abuse of the system as

it currently functions. To take his remarks literally, every landlord in the province must be a corporate giant making a fortune. I am sorry to say this is not the case.

Investors who put their dollars into the market since the inception of the Residential Rent Regulation Act did so with the assurance of the province, through the legislation, that a reasonable return on investment could be obtained over time. Those who abided by the law with that understanding have now found themselves being penalized for their co-operation.

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It is a matter of fact that the existing legislation is fair and reasonable and a reasonable means of dealing with rents in this province. It is a matter of fact that less than 75% of the units in the province have ever been to rent review. It is a matter of fact that less than one half of 1% of the units in this province received increases in excess of 30%. It is a matter of fact that half of 1% of the units in Ontario received increases in excess of 100%. Where, I ask you, are the abuses? The facts indicate to me that the system is working in its present form. It seems to me that the only problem with the present legislation is the political aspect.

Government originated in an attempt to find a form of association that defends and protects the person and property of each with the common force of all. Bill 4 in its present form merely guarantees the deterioration of the housing inventory in this province as well as the bankruptcy of the small landlords. It will assure the tenants of substandard housing in a diminishing supply. It will assure unemployment and funnel investment to other markets.

The minister speaks of this as temporary legislation. I have to wonder if his definition of temporary legislation is the same as that of Bill Davis in 1975 when he introduced his temporary rent control measures.

Over the last 15 years, I have watched provincial politicians buy and sell votes at the expense of both the landlords and tenants of this province under the guise of protection for all. Here we are again discussing protection. Why are we continually beating the issue to death? Give the existing system a chance to work before you amend it. Quite simply, if it ain't broke don't fix it. Over the last 24 months, I have witnessed a healthy marketplace, investors participating in the market and an even keel in terms of vacancy in the communities throughout southwestern Ontario. I see a number of rental units renting at substantially less than the legal maximum.

I do not hold myself to be anywhere near as qualified as the members of this committee, but it is my opinion that the whole need of controls or rent review legislation emanates from the problems currently being faced in the city of Toronto and other such centres where population growth has exceeded the supply of housing. Towns and cities such as London, Sarnia, Chatham, Windsor, Wallaceburg and Leamington, according to the latest CMHC statistics, indicate a vacancy in excess of 2%—in the case of Wallaceburg 10.9%. It is my opinion that when the market in these areas is experiencing that kind of vacancy, controls are not needed in any form because the market will keep the rents within reach of the majority in order to

maintain cash flow. The local economy dictates the need for controls, not the shortage of units in Toronto.

I believe the only realistic approach with the least possible damage to the economy is localization of the issue. If a given community has a problem with supply and price, perhaps controls are in order and provincial input is justified. However, if the market is healthy—which can be identified by a vacancy of 2% or more—any intervention is damaging not only to the tenants and the landlords but also to the community.

My father and my grandfather were both in the rental housing market. They advise me that they never took rent increases on a regular basis until 1975, when they were guaranteed increases by the introduction of rent review.

My point is very simple. As opposed to introducing new rules, let's work with the existing system, amending it so that the municipality can play a role in determining the necessity of rent controls in their economy. This direction would show the investment community that the government is addressing the situation in a realistic manner by opening the doors to future development in the areas that require it, as well as assuring the financial sector that there is in fact a future in rental accommodation in this province. Establishing a universal policy across the province to satisfy the shortfalls of one jurisdiction is not only shortsighted but dangerous at best.

Since the minister's announcement, I have personally witnessed the cancellation of not less than \$13-million worth of capital costs in Sarnia alone, a reluctance on the part of lending institutions to finance buildings and the collapse of the resale market. I have seen shaken confidence in the investment community lead to investment in the United States and an overall decline in the service and maintenance of the existing inventory. More important, I have seen the aspirations of the small landlord community wither and die.

In closing, I implore you of the committee to dramatically alter the direction of this legislation or be prepared to see the province take over the rental housing industry, in short, and deal with the losses on its own. For I do not believe that any sane investor will remain in an industry that guarantees a loss and a constant change in rules, so that his return on investment will depend on the whims of whoever happens to be in power at the time.

Ms Harrington: Thank you for coming. There are quite a few words there. It is hard to grasp it all without having it in front of you.

You talked about the rent review system. Did you say it was actually working now?

Mr Schnurr: In my opinion, the existing system is working very well.

Ms Harrington: I would ask if you realize that 30% of the tenants in this province pay more, and much more, than 30% of their income for accommodation and that this is a serious problem.

Mr Schnurr: I can appreciate the concerns in that direction. However, if that is such a big concern of the government, perhaps it should look at direct subsidy as opposed to wasting money on controls. The people who

need the benefit of rent controls and rent review are not receiving it. The guy who is on social assistance and renting my basement apartment in Sarnia at \$250 a month—tell me he is receiving the benefit of controls. He cannot afford any more than \$250 a month to begin with. He could not afford to move to better accommodation. Even if he had more money, he would still end up in the same situation.

Ms Harrington: If more money were given to them, it would be directly handed over, passed through to the landlords. It would not improve their accommodation at all.

Mr Schnurr: Not necessarily.

Ms Harrington: You mentioned that 75% of landlords do not go to rent review.

Mr Schnurr: That is correct.

Ms Harrington: Would you also agree that the best-kept buildings belonging to landlords do not need more than the guideline of 5% this year?

Mr Schnurr: I would say that the 75% would like to go to rent review, need to go to rent review, but are very much afraid of rent review.

Ms Harrington: What we have found in speaking to various people in the last week or two is that it is generally stated that many landlords who care about their buildings and who are in there for the long term can maintain their buildings within the guidelines; we are talking maintenance. The only question you brought up, and the previous speaker, is about capital expenditures, which we are looking at.

Mr Schnurr: I do not mean to be rude, but I would like to find out who the people are you were speaking to and what they were smoking, because I would like to buy some.

Ms Harrington: I will pass to my colleagues.

The Chair: Mr Winninger, you have time for one question.

Mr Winninger: To pick up from where Ms Harrington left off, you made the point that instead of having blanket rent controls we should be subsidizing some people's housing costs. Would you agree with me that a 20% annual increase in rent is just as draconian for someone earning \$35,000 a year as for someone earning \$10,000 or \$15,000 a year?

Mr Schnurr: I can appreciate what you are saying, yes.

Mr Brown: This is the first day this committee has actually been going out through the province. We have had some hearings in Toronto. I think you make a very telling point when you talk about London, Sarnia and Windsor being different from Metropolitan Toronto.

I represent a riding where I would suspect, although I do not know the exact figures, that the vacancy rate would probably be 25% of affordable, good housing. We need rent controls in my riding, but landlords are able to get almost half of their allowable rent in the actual marketplace. The important thing here is that we are out in the province and starting to hear some of these things and not

just reacting to "Toronto difficulties," although they are important. You seem to indicate that you thought municipalities or regions could perhaps do a better job of this sort of thing.

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Mr Schnurr: Section 124 of the Landlord and Tenant Act allows for the establishment of landlord and tenant advisory bureaus. During the last hearings on Bill 51, I made submissions to that end. I met with Mr Brandt at the time in Sarnia and we did in fact establish a landlord and tenant advisory bureau in the city of Sarnia. It consisted of four landlords and four tenants and one representative of the city who was an attorney in the city.

It is my position that the municipality through the landlord and tenant advisory bureaus, perhaps fortified from what the legislation currently permits, would be the direction to go in. You then have participants from the municipality who are aware of the problems in the municipality, and the input from both the landlords and the tenants to decide on a course of action, as to whether or not they need rent controls, and perhaps even go so far as replacing the city representative with someone from the province so that they can conduct hearings addressing the rent review applications in that community, should they choose to have controls in the community. I feel that would enhance development in those communities.

Mr Brown: The government has brought up the point of economic eviction. I think we are all very aware that we do have some major problems in terms of affordability in the rental housing stock. I was really wondering, in your experience—you say you represent approximately 560 landlords—if you could give us any idea of how many people actually have to move out in a year because they cannot afford to pay the rent or are put under some unreasonable hardship by paying the rent.

Mr Schnurr: I do approximately 2,000 evictions for non-payment of rent in any given year, and have done so for the last six or seven years. I can tell you without a doubt that less than 5% of the evictions I effect are individuals who cannot afford the rent. The balance of evictions is people with, perhaps we might term it as, mixed priorities. If we go to effect an eviction and someone has a case of beer, tailor-made cigarettes, a colour TV and a stereo, there is something wrong with this picture if they cannot pay the rent.

By the same token, if I am dealing with a single mother or somebody on assistance, we go the extra mile to work it out and try to prevent the eviction. Economic evictions are the result, in my experience, of poor planning and poor priorities.

Mr Turnbull: You have talked about eviction and you have said that it is your experience that the majority of these people who you actually go through with the eviction are people who—it is a mis-sense of their priorities. Clearly there are cases in this province where people are effectively economically evicted; there is no doubt about it.

Mr Schnurr: No doubt.

Mr Turnbull: You have spoken about this being really a Metropolitan Toronto problem. I think to a great extent

you are correct. I represent a metropolitan riding and I know that the kind of rent we are talking about and the situation in Metro is vastly different to here. Go back to the question of economic eviction. You suggested that shelter allowances, which is what we have suggested so far—the NDP's knee-jerk reaction, and it was very eloquently put by a witness the other day, was, "I get to touch the money as it flows through to the landlord."

It seems to me that the basic problem we have with rent control is that we have some people who can afford to pay reasonable rents who are in buildings which, for whatever reason, have very depressed rents—of course the chronically depressed rent clause was never proclaimed in Bill 51—whereas other people who are under great economic hardship have the problem that they are paying very large portions for their rent. How would you reverse this?

Mr Schnurr: That would be a tough one to address, other than perhaps if someone were entitled to a subsidy, then mobility of residence might be a factor that would have to be considered. I will share a story with you. I had a client who had a building in Sarnia that was empty. He was a Toronto landlord. He was experiencing 70% vacancy. This was back in 1981. He ran an ad in the *Toronto Star*: "Apartment to rent, \$350 a month. We'll move you." He loaded people up in transport trucks, brought them from Toronto and put them into Sarnia where there were vacancies. The people were happy to move. They got a better lifestyle.

That is a pretty dramatic case, but if someone living in Toronto in a high-rise is paying too much and cannot afford it, maybe low-rise or moving them to cheaper accommodation would be in order.

Mr Turnbull: I think certainly the idea of loading people up in a truck and moving them to another part of the province smacks of the same kind of social engineering that the NDP are involved in at the moment.

Mr Schnurr: Granted, and I appreciate what you are saying.

Mr Turnbull: Tell me something on this legislation. Could you live with this legislation, with two provisos: get rid of the retroactive aspect of it and also guarantee that it will not be in place for longer than two years?

Mr Schnurr: I would have difficulty living with changing the rules in the middle of the game.

The Chair: The time has expired. We thank you for appearing before the committee today.

SIFTON PROPERTIES

The Chair: Next on the list, I believe, is Sifton Properties. You have been allocated 20 minutes, 10 for your oral presentation and 10 minutes for questioning. For the record, could you identify yourself and who you are representing.

Mr Parker: Good morning. My name is Barry Parker. I am vice-president of Sifton Properties Ltd and I am responsible for its portfolio of company owned and managed residential rental properties. Sifton Properties is headquartered here in London and has been active in the shelter industry for the past 60-odd years. We develop lands, build and sell single-family homes and condominiums, as well

as develop and manage shopping centres, commercial properties and office buildings.

In all areas of our company, we strive for quality in the production and the management of our real estate holdings. We believe that the long-term success of any company lies in its ability to identify and satisfy its customers' needs by supplying product, space or accommodation that offers value for what it charges.

In our rental housing division, however, it has become increasingly difficult to balance our desire to supply quality rental housing to our customers with our need to obtain a proper return on our investment appropriate with the risk and the nature of the investment. In our rental housing operations, we have been subject to the full impact of Ontario's rent control system on every single unit which we own and manage, and this system provides no incentive for us to provide our customers with anything other than basic service.

We do not like that system and our company has responded. We have not constructed a single unit for our own account since the inception of rent controls in 1975. Prior to that time, however, we developed, built and still own and manage 2,700-plus units that were constructed in the 1969 to 1976 time frame. Therefore, as I talk to you today, please remember that we are not apartment flippers, that we own a stock of mature buildings, that we have been subject to rent controls since their inception on our entire portfolio, and that we operate clean well-maintained properties of which we continue to be proud.

Before I talk about Bill 4, I would also like to say a few words about the history of our properties. First of all, during the mid-1970s when rent controls were initially introduced, London had a glut of rental units, which was gradually eliminated by the early 1980s. During the late 1970s, however, it was not possible for us to obtain even the basic annual 6% rent increases which the old system permitted. Therefore, our rents today do not even reflect the basic statutory increases that have been in effect since 1975.

In inflation-adjusted dollars, our rents in most cases are actually less than they were in 1975. Since that time, we have had to pay increases in operating costs that rose with or exceeded the rate of inflation. For example, here in London we own about 1,000 rental town houses for which we pay the heat for the tenants. During the last energy crisis, we absorbed double-digit increases in the cost of utilities. When wages, taxes, electricity, water and insurance increased by double-digit rates, we absorbed those amounts as well.

In London we did not make any rent review applications for our buildings to recover these costs because the market simply would not have allowed us to charge the ordered rents anyway. When the market would allow us to charge the higher rents, we could not apply because the losses and increases in costs had occurred in previous years.

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While during this time at least we said, "If the income statement for our properties does not look so hot, perhaps we can take some comfort in the balance sheet, that the

value of our buildings will improve over time," but Bill 4 has eliminated overnight much of the value which we have built up in our properties over the last 15 years. There can be no argument that Bill 4 has reduced the value of our properties by millions of dollars in the name of stopping flips.

The NDP says that there has been a problem with most of those sales. Mr Rae tells us that over the last several years we have had building flip after flip after flip. He also says that we have had tenants pay and pay and pay again. I can assure you that our buildings did not flip, even once, and yet the NDP has seen fit to confiscate millions of dollars in value from our company for a problem that exists only in a few isolated cases.

If the government is so concerned about flips, why not deal with them in a manner that is clear and direct? Why not, for example, deal with the issue by means of a speculation tax where regulations would limit pass-through provisions if the sale took place less than five years ago? There are many alternative ways to solve the problem, but Bill 4 has indiscriminately slashed values for everyone who holds rental properties in this province. In that, it was unnecessary and unfair.

In the case of capital expenditures, Bill 4 has used the same type of overkill to stabilize the market, in the words of the minister.

As I pointed out to you earlier, Sifton Properties Ltd's rental portfolio was built in the 1969-76 era. This means that today they are 15 to 22 years of age. During that time we have done our best to maintain our properties and we are proud of their condition. Notwithstanding our maintenance programs, however, many major components in our properties have required replacement in the past three years, and we have made capital expenditure applications for a number of our older units.

The work which we performed included parking-deck restorations, roof replacements, plumbing system replacements, heating system overhauls, furnace replacements, repaving of parking lots, replacement of windows, replacement of appliances, replacement of kitchen cabinets, new flooring, installation of exterior siding, upgrading of common areas, lobbies and numerous other items.

Before every capital expenditure application we met with our tenants and we often amended our scope of work to take their concerns into account. The increases which we received ranged from 17% to 24%, including the statutory increase. In the cases where the increases exceeded 20% we voluntarily limited the increases to our customers to 15% in any one year in order that they could absorb the increase in a gradual way.

Why did we do this work? We did it because in many cases the major building components are simply worn out. The work was not necessitated by our neglect. The fact is that roofs wear out and the cost of a typical high-rise roof is around \$100,000. Parking decks are deteriorating due to salt corrosion, as are countless bridges and other structures across North America.

The cost to repair is often in the hundreds of thousands of dollars. Yet no amount of preventive maintenance can prevent domestic hot water risers from wearing out and

plugging up, nor can we stop appliances from becoming obsolete. Lobbies and common areas get worn out and need to be updated.

With the introduction of Bill 4, however, we have stopped all capital expenditures. We have put on hold our plans to perform millions of dollars of work in our town homes and apartments, work that we want to do and work that has already, in most cases, been pre-approved by the Ministry of Housing and our tenants. The reason we have cancelled this work is that we simply cannot afford to do the work without extra funds.

Usually we spend in excess of the entire annual rent roll of a building to address the problems which require correcting in our older properties. It is not difficult to spend \$6,000, \$7,000 or \$8,000 per unit on capital in an older building. For the past 15 years, there has been no allowance for setting aside funds for us to do this work in the rent increases allowed by the government, and as I said to you in most cases we were not even able to take those increases because of the market here in London.

In effect, what the government has said to us over this time is, "We will give you enough money to meet your increase in daily operating costs and if you need any extra funds for capital, prove the need for those funds and we will increase your rents accordingly." Yet now that we need the funds, we have our Minister of Housing saying in connection with this issue: "What is basic rent supposed to pay for? You would expect that some of that cost is going to go into maintaining and operating the building."

We have also cancelled our policy of performing in-suite capital expenditures on a unit-by-unit basis. Under the Residential Rent Regulation Act, landlords and tenants could jointly apply for a rent increase if a tenant wanted a new kitchen or new carpeting, for example. The increase affected only the unit where the work was performed and this type of application was used only if the tenant agreed to the work, and quite often initiated the request for the work.

It seemed to be a fair and equitable approach to customizing the work which we perform to each tenant's situation, but we have also had to cancel this work as well. In fact we now suggest that our customers talk to their MPP to find out why the government now does not want us to perform this type of work, since we cannot provide them with any rational explanation.

What has Bill 4 managed to tell us at Sifton Properties? It is telling us that we are going to have to delay the proper timely replacement of many of the major components of our buildings. In the interim we will patch or repair as best we can, but with our units now over 20 years of age, this Band-Aid approach will not solve the problems which require our attention now. Once the new permanent system is in place, we will have to review it to ensure that it provides the appropriate increases to finance our expenditures. If it does not, some of the work will not be performed, a prospect which very much concerns us as we have a history and a strong desire to continue to properly maintain our properties.

Bill 4 also tells us that we can expect an increase in the adversarial atmosphere that exists between ourself and our

customers. What we need today is a government that says it will encourage us to properly operate and maintain our properties to ensure that our housing stock is in place for the future, a government that will not obstruct us at every turn. Bill 4 accomplishes exactly the opposite.

It is without a doubt the most disastrous, oppressive piece of legislation in the history of rent controls in this province. As I said earlier, it has confiscated millions of dollars of value from our buildings. It is preventing us from performing necessary work on our property, most of which has already been approved by the Ministry of Housing.

In addition, Bill 4 has permanently upped the ante for doing business in the rental housing industry. The retroactive components of Bill 4 and the arbitrary manner in which they have been introduced have added an element of risk that previously existed only in theory. Now that landlords and others who supply the capital for this industry have experienced not only Bill 4 itself, but this government's strident offensive rationalization for its actions, things will never be the same.

We are very concerned about the lack of any balance or proportionality in this bill and the lack of any evidence from the government to support its claim on which it has based the legislation.

Mr Brown: We all here are concerned about flips and the effect they have had on the market. We have had great difficulty on the committee, however, getting a response from the government in defining, first, what a flip is—Is it five years? What exactly is a flip?—in having it provide any evidence whatsoever that this is an increasing problem or a widespread problem. It just patently refuses to give us that information. If you are not being kind, I might suggest it is totally for political reasons.

I wonder, in your experience—you manage a large portfolio—if you could tell me just in the general market, not in your particular business, do you know of a number of flips in this area?

Mr Parker: No, I do not. The only information I have seen on that is that there was a study done by the city of Toronto. You may have seen it already. I think that is where the hotbed of flipping was supposed to be. In fact, as I understand, it is not even a problem there.

Mr Brown: My second question is, you tell us that there is major capital work you are not going to do this year. It occurs to me that we are in the midst of a recession in this province, that we have many construction workers who are out of work, and that business landlords could get more bang for the dollar right about now during a recession and provide much more employment by doing the work right now, because the market is—

Mr Parker: You are exactly correct. Prices are better now than they have been for the last three or four years.

Mr Brown: Therefore, the tenants would receive the benefit of lower rent increases because the work would be done.

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Mr Parker: Not only that. Interest rates are low as well and they would receive the benefit of that.

Mr Mahoney: The government, in my view, has led tenants to believe that somehow Bill 4 is going to solve all of the maintenance problems they have been experiencing; I think you and others have said it focused on the Toronto market but perhaps is focused here to a certain degree. I have combed this bill from front to back and back to front to try to find out how anyone could ever arrive at such a conclusion. The only conclusion I have been able to come up with is that they are being misled. Do you have any comments on that?

Mr Parker: As I mentioned in my presentation, we have many situations where the tenants have requested work to be done. We are prepared to put up the funds and do the work in their units, yet we are frustrated even under those circumstances to do the work.

We do not believe it is in anybody's interest to have a system that allows our rental stock to deteriorate. Our company, in particular, does not want our stock to deteriorate. Yet we cannot properly manage it under a system such as this.

Mr Mahoney: Much of the discussion centres on the extremes and the so-called luxury renovations. What kind of renovations are your tenants looking for and do you normally do? Do you have golden doorknobs in your buildings?

Mr Parker: I am going to tell the committee that we are guilty. We just put some marble in a lobby. We do not believe our lobbies should have Spanish beams from 1968 and shag carpeting. We are not going to apologize for keeping the lobbies of our apartment buildings up to date. This has to be put in perspective, however. The cost of those lobbies when amortized over 140 or 150 units is infinitesimal on a per unit basis; it is a fraction of a per cent increase in the rent.

About 98% of the work has been structural work, hard things that need to be replaced such as roofs, parking decks, windows, appliances, boilers, mechanical systems and things like that, which are simply worn out.

Mr Turnbull: I am going to have to ask you for quick answers because I want to get a lot of questions in.

It has been asserted in these hearings that the offset to the very low net cash flow which comes out of apartment buildings, which you alluded to, is capital appreciation. I think it is a fair statement that that is what you hoped for. You have a very large, diversified portfolio. Has your apartment component performed as well as the other components?

Mr Parker: No, it has not. There are lots of studies done for the Ministry of Housing that confirm our position. Values have just kept up, and as a result of Bill 4 have probably now not kept up with inflation.

Mr Turnbull: Would it be technically possible to have any capital appreciation unless you can see a flow-through of additional financing costs, given that this is a controlled market?

Mr Parker: No, it is not. That is the point. If you suppress the rents, you suppress the value. It is as simple as that. There is no reason people are going to pay a lot of money to own an apartment building that cannot possibly make any money. It does depress the value.

Mr Turnbull: In view of the aging stock we have in housing, is it reasonable to expect that there should be an acceleration of renovations as opposed to a deceleration?

Mr Parker: Our holdings are typical of many other holdings in the province. They are simply at a point in their life, after 15 or 20 years, where some money has to be plowed back in, and the money is not there because that same stock has been under rent controls for 16 years.

Mr Turnbull: Would you consider that it is going to be increasingly difficult, if not impossible, to refinance these buildings?

Mr Parker: Yes.

Mr Turnbull: Have you already had any discussions with financial institutions?

Mr Parker: We have not had any on our own portfolio, but we have clients for whom we manage properties and they are having tremendous difficulties even replacing existing first financing—not second and third financing but first financing.

Mr Turnbull: So they could lose their properties.

Mr Parker: Yes. They cannot get refinancing.

Mr Turnbull: Last question: If we could manage to persuade the NDP to get rid of the retroactive aspect of this bill, could you live with it for the two years it will be in force?

Mr Parker: I think business people and landlords are entitled to have some order in the manner in which we run our businesses. At least, if they are going to change the rules, the first thing is to eliminate the retroactivity. It is grossly unfair, not only on capital expenditures but for those people who bought buildings under the old rules and structured their deals under the old rules and are counting on phase-ins for financial loss that have already been ordered by the Ministry of Housing. These things should not be taken away from people; it is unfair.

Mr Winninger: Just briefly: I have been sitting here rather impatiently listening to how good a corporate landlord you are. You have not said anything about the hundreds or thousands of illegal rent increases your company had to pay back to tenants who moved into your buildings, overcharges for new tenants, some in excess of \$3,000 which I know personally about. And all that while Mr Sifton was on the advisory committee that made recommendations for the implementation of Bill 51. How does that policy of charging tenants illegal rent increases accord with your submission today that you are looking out for the interests of tenants?

Mr Parker: Our rent roll is completely legal, as you know. We registered all of our rents on 1 August 1985, and our rents are completely legal with respect to the amounts we registered at that time.

Mr Winninger: Prior to 1985, for many years you were overcharging tenants thousands and thousands of dollars that had to be paid back.

Mr Parker: I disagree with that. We have not overcharged.

Mr Winninger: Do you deny that?

Mr Parker: Yes, I do.

Mr Mahoney: On a point of order, Mr Chair.

Mr Tilson: This is outrageous.

The Chair: Only one member can speak at a time. I have heard Mr Mahoney on a point of order.

Mr Mahoney: I think Mr Winninger should apologize to this witness for these outrageous accusations. I do not think they are relevant to Bill 4, which is what we are here for, and I do not think we want to hear about your local political problems.

Mr Winninger: I will not apologize for the truth. These are all documented claims.

Mrs Y. O'Neill: On the same point of order, Mr Chair.

Mr Mammoliti: Mr Chairman, I would like to speak on it as well.

The Chair: We are going to make a list.

Mrs Y. O'Neill: We are talking about the Residential Rent Regulation Act, even an amendment to that. That act came into effect in 1986, and Mr Winninger is talking about 1985. I am sorry, this is not a courtroom.

The Chair: Okay. Mr Mammoliti.

Mr Mammoliti: This individual comes here and says he is looking after the best interests of tenants and he sincerely believes that. I believe Mr Winninger's comments are just, and that that is not the case at all. If this man has a track record of not being trusted, then it is relevant and I would suggest that we hear Mr Winninger and what he has to say.

Mr Turnbull: On the same point of order, I would suggest that, given the fact that the members of the committee have legal immunity but the witness does not, if these members wish to continue this line of conversation they repeat this same accusation outside of this room where the witness can take the appropriate legal action if he wishes.

The Chair: Thank you. I would remind all committee members of what they reminded me early in the week. Committee members wanted me to ensure that all members ask questions concerning the relevant sections and subsections of Bill 4. I am going to give the same advice to the committee, so I hope the committee members take the advice they gave the Chair. It is very difficult for the Chair to rule questions out of order. Many of them are borderline. We would get into numerous procedural wranglings if I started to do that, and I am counting on the members of the committee to ensure that does not happen and I am not put in that position.

Mr Abel: Have any of your tenants ever had to pay their rent retroactively?

Mr Parker: On rent review orders, yes.

Mr Abel: Referring to your deputation, you think it is unfair for Bill 4 to be retroactive. From that I would conclude that you are saying it is okay for retroactivity to apply to tenants but not to landlords. Is that a correct assumption?

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Mr Parker: That is not what I am saying at all. Tenants are not obliged to pay anything above the notice of

rent increase they receive. They receive a notice of rent increase, say, for 15% when the statutory amount was 4.6%. If they wish to pay 4.6% while their application is being processed, we advise them in writing to make sure they set aside the funds for when the order comes down. At that point they have to pay the funds, but there is no retroactive element to it. They have been given a notice of a rent increase for the amount which we intend to charge.

In fact, I think it is a great benefit to tenants that they can hang on to their funds for a year or two years or however long the ministry takes to deal with our applications before they actually have to turn the funds over to the landlord. The landlord does not have that advantage. He has to put his money out and pay his trades months in advance of even filing his application. So this can hardly be construed as a situation that has any benefit to the landlord.

Mr Abel: You indicated that Bill 4 prohibits the ability to recover costs for improvements.

Mr Parker: Yes.

Mr Abel: So you are saying it is fair that the tenant pay for the landlord's capital investment. Is that what you are saying?

Mr Parker: That is not what I said. I said the committee has to look at the bill in the context in which it is presented. Our buildings have been subject to rent control since 1975. Even if we took the statutory increases, we have not even kept up with inflation on our rents. In that context, tenants are paying less rent than they were 15 years ago, in inflation-adjusted dollars. I do not think it is out of line, when the building has to have major capital work done to it, that the funds have to come from the people who are enjoying the benefit of having the rent suppressed for the last 15 years.

Mr Abel: So what you are saying is—

The Chair: Very good. Thank you, sir, for coming before the committee. I am sorry your time has expired. You have generated a lot of interest. I wish I could allot you and the members more time, but I am unable to. Thank you for appearing.

DAVID SOUTHEN

The Chair: David Southen. I think you are familiar with the procedures we have been following this morning.

Mr Southen: Right. Thank you very much for giving me the opportunity to speak today. I do appreciate the efforts of Mr Turnbull in extending the hearings to London. I think I was going to be deprived of my opportunity to speak had I only been able to go to Windsor, so let me first thank you for your assistance in this matter.

I would like to tell you who I am. I am a Londoner. I am employed as a real estate salesman with Royal LePage. I am involved in selling residential property, small income properties and a limited degree of commercial experience. I live in London in a triplex very close to here.

I would like to relate to the committee my experience with a particular property that I and a group of partners purchased a couple of years ago. My partners included my father, who is an independent businessman in the grain and feed business in Forest; my brother, who is a military

policeman; another partner, who is a nurse with a Middlesex health unit here in town, and the final partner is a financial analyst with London Life.

In late 1988 we purchased a property in London that is comprised of 16 residential apartment units and 6,600 square feet of retail office space. At that time we paid what was the market value for the property, about \$880,000. This was confirmed by an independent appraisal needed for financing, of course. Our down payment was \$240,000 or about 27% of the total deal, so it was not a high-leveraged transaction, by any stretch of the imagination.

At that time cash flow was dead break-even. Actually, it was probably operating at a bit of a loss, but for all intents and purposes it was not really that significant. It was our intention to buy this property and hold the property for the long term and gradually improve the property over the course of our ownership. So we pooled our life savings, essentially, and made what for us was a very large investment. We are no Sifton Properties or anything like that; we are just small landlords. Nevertheless, the legislation impacts on all landlords in an equal manner.

The property itself had not been particularly well managed when we bought it, and it was our hope that we could improve the quality of life for the tenants who were there by taking an active management interest in the property and improve their situation that way. Because I am in the service industry and my father is, we have a real belief that our tenants are our customers and that in order to serve them better we are going to try to do everything we can to make their living accommodation as good as we possibly can.

The committee no doubt has heard a lot about the plight of older buildings. Ours is the same sort of thing. Our property was built in 1972. While this does not seem particularly old, 19 years, the property nevertheless was not constructed of particularly good material to start with. The reality is that building components wear out and many of the components of the building are reaching the end of their useful life.

Immediately upon assuming ownership of the property we started on a maintenance program. Included in the first year were a major roof replacement and ongoing, in-suite cleanup programs. In the second year of our ownership we engaged in major plumbing replacement. Our building was constructed, as I said, in 1972, during the copper shortage of the early 1970s. Consequently, our building was constructed using galvanized plumbing and aluminum wiring. We spent approximately \$20,000 last year replacing the main feeds that distribute water to all the apartments. We have yet to replace the risers, but they are galvanized and they are definitely reaching the end of their useful life. We also continued with our in-suite cleanup program. We also instituted a landscaping service to make the exterior of the property look good, and we just bought new laundry equipment because of problems with the leased equipment we had.

Since we bought the property we have received many compliments from our tenants about how much better the property looks since we have taken over ownership. Our rents are very inexpensive—I think our building is actually

in your riding—less than \$450 a month for a two-bedroom. They are quite spacious, probably around 800 square feet, and all the utilities are being paid by the landlord.

We are kind of up against a brick wall, though. Our major plumbing work was, as I said, just completed. We borrowed money to do this work. We are caught in the middle. We have filed no application to rent review about this. If this legislation had not been proposed, we would probably have gone ahead anyway because it was work that needed to be done, but we had a major capital expenditure plan in mind.

As I said, our building is 18 years old. The kitchens and baths are simply reaching the end of their useful life, for a couple of reasons. Materials, as I said, really do not tend to be that great. This one is no exception. Second, some tenants do not take much pride in the appearance of their kitchens and baths and consequently they deteriorate; obviously, it varies from tenant to tenant and we have some terrific tenants. Anyway, we estimated a cost of \$72,000 will be required to replace the kitchens and, at the time, we would also replace the galvanized plumbing that is in the risers. We figure it will about \$16,000.

The appliances are 18 or 19 years old and again they are reaching the end of their life expectancy. We would like to purchase new energy-efficient appliances for our tenants at an approximate cost of \$20,000. As well, the carpets and flooring are older. While our in-suite campaign to replace these things has been an ongoing concern of ours since we bought the property two years ago, nevertheless there is still a lot of work to do. We assume that about \$32,000 will need to be spent on that.

Windows need to be replaced, but we currently cannot afford to do that. In total, we hope to spend \$140,000 next year to make what is effectively a like-new unit for the tenant, about \$8,750 per suite, which would not translate into a huge rent increase for those tenants. It would still be a very affordable building. As I said, our rent range is from under \$400 to—I think \$446 is our top rent. Even with doing those capital expenditures, our rent would be most affordable.

I had arranged to do this work with a contractor in town who had done some work previously for me, such as snowplowing. Unfortunately, we have had to cancel all of this work, so he is out of work, his subcontractors are out of work, the appliance manufacturer no longer has an order, and the effect trickles right on down through the economy. I talked to the contractor as recently as a week ago. He still has no work lined up for this year.

It is also unfortunate that we as owners are out of luck. An appraiser recently spoke to a landlords' group I belong to and advised us that property values in apartments have declined 25% since the NDP pronouncement. As a real estate sales person, I would have to agree with that. I would make one exception to that: If they are in Toronto, I imagine the decrease is probably more in the 40% range.

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Needless to say, it is having quite a devastating effect on me. In a little over two years' time, the 25% decline in property values essentially wipes out all the equity that we have in the property, so we are really back to square one.

We invested \$250,000. We are out of luck. Also, the money that we borrowed to do the improvements that we have already done is gone for ever.

There are a lot of other stakeholders in this too. I would like to point out that our tenants are out of luck. We have established a good relationship to them and I am going to be very sad when I have to go to them and tell them that I cannot do the repairs that are necessary to maintain this property because the government that is elected really is not interested in seeing us be able to do that.

The financial institutions are out of luck too. This is something that I would really like to speak about for a minute or two, if I could. Everybody thinks of banks and trust companies as being big monoliths. Really all they are is a collection of small deposit holders that guys like me put our paycheques in, and shareholders, that are owned by and large by pension funds that guys like me have invested money in to set aside money for my retirement. So I really object to saying, "The banks can afford to lose this money." They cannot. I should very much hate to see a run on the banks such as is going on in the United States right now.

Pension holders of course are stakeholders too here, for the reasons I have already talked about. Who is going to hold the bag? Is it going to be the taxpayers? They are already taxed to death. In London last year we had property tax increases of 11%. The GST has just come in this year. Obviously, as a real estate sales person, last year was a very brutal year in terms of earning money, and this year promises to be the same, and yet my taxes continue to go up.

This legislation, from what I understand, was targeted to eliminate a number of abuses as the NDP saw them, massive rent increases in a single year, flipping of buildings, luxury renovations and so on.

Interjection.

Mr Southen: Phase-in orders make plenty of sense.

Flipping of buildings: Again, I do not know what this means. As a real estate sales person, this is a very uncommon occurrence. People own properties for the long haul. They do not send them over. You have heard Barry Parker from Sifton Properties speak about this matter. The other London landlords, I can assure you, are essentially the same thing.

Again, luxury renovations: Replacing kitchens and baths that are worn out is hardly luxury renovations, in my opinion.

The most offensive thing about Bill 4, as you have already heard, is the retroactivity. Why the NDP would propose such legislation which is going to destroy people's savings in such a notorious manner is really beyond me. When the NDP was elected, I must say, and no offence to the Liberal members here, I was not particularly displeased that an unresponsive government was turned out. I thought that a chance for a new party that promised to be responsive to the needs of their constituents would be a good idea. However, I can tell you that if the first piece of

legislation that is put in destroys my life savings, I am thinking twice about it.

The Chair: Thank you for your presentation.

Mr Tilson: I would like to ask a question of you, the same question that I asked an earlier speaker—I do not know whether you were present or not—in that in my assessment of Bill 4, as introduced by the government, it seems to be designed specifically for a landlord-and-tenant problem in the Toronto area, although I am sure evidence could be produced that could show it province-wide to a degree. But when you look at the vacancy rates as being the highest in the city of London and other facts with respect to this specific area, I suppose my question is, should this type of legislation be province-wide or should it be perhaps more sensitive and compassionate in many cases to the local needs of areas such as London?

Mr Southen: There is no doubt that we in London do not have the same situation that is going on in Toronto. I do not know how many people live there, but the reality is the bulk of Ontarians do not live in Toronto and you certainly have the tail wagging the dog here. I think that it would probably be a legislative nightmare to have regional differences in place, but I can tell you in London it is certainly not necessary to have rent controls of any form right now. Rents are dropping out there, there is no doubt about it. When you go and look at buildings you find them 50% vacant and landlords are just bending over backwards to do anything to try to get tenants in right now. I have two vacancies in the property that I live in personally and I just cannot get a tenant in them.

Mr Tilson: I am certainly not in favour of downloading that has gone on in the past, although at the same time there are cities in the United States, the large cities at least, which specifically deal with their city problem as opposed to a state-wide problem. I am not necessarily advocating; I am looking for some sort of reaction outside the city of Toronto as to how people would feel about that.

Mr Southen: It is interesting that you talk about that. The reason Toronto is in the situation that it is in is not the population pressure.

It is interesting and instructive to look at what cities in the United States have done. I think Las Vegas is a prime example. The population there has doubled over the last 10 years. They have 8,500 people a month coming into a city of 800,000, and yet there are apartments everywhere, piles and piles of apartments, and rents are very, very reasonable there. You can rent an extremely luxurious two-bedroom apartment there for \$500 a month, so call it \$550 Canadian, and they have just handled it through the market rather than some things. It is well known that rent-controlled markets provide the highest rent prices for tenants anywhere.

Mr Tilson: The Minister of Energy has encouraged repair work that would make buildings more effective for an energy-efficient nature. In my view, Bill 4 has made that more restrictive. It has been contradictory legislation.

Mr Southen: Right.

Mr Tilson: Have you had any thoughts as a small landlord on that contradiction?

Mr Southen: It was one of the things that we had originally intended to do, of course, when we were shopping for our appliances. Energy conservation is a very, very important consideration to us, not only to minimize our costs but also to effectively lower our taxes too because the cost of bringing new generation facilities on is so prohibitive. If we as taxpayers can do something to alleviate that problem, I am only more than willing to assist to whatever degree I can.

Mr Abel: I was going through your list here of your proposed changes for this year to the tune of \$140,000. Were your 16 tenants willing to accept these changes? Were they against any of these proposed changes? Were they asked? I will put it that way.

Mr Southen: Let me be very upfront with you. We were in the very early stages of our discussion. I realize the legislation that was previously passed required us to have a tenants' meeting. We were not at that stage. Those tenants whom we did approach on an individual basis did not mind. Like I say, the rents are quite reasonable, and again as I was saying, the facilities are getting very close to being worn out.

Mr Abel: You said that you planned on spending \$72,000.

Mr Southen: For kitchens and baths, right.

Mr Abel: Kitchen cupboards? Is that correct?

Mr Southen: That is right. The cupboards are 18 years old, and you have seen what particle-board cupboards are like. They are shot.

Mr Abel: I would like to put to you that I was a cabinetmaker, and believe me, if those cupboards have to be replaced after 18 years, you or whoever put them in was ripped off. My house was built in 1921 and I still have my original kitchen cupboards.

Mr Southen: I can tell you this, if particle-board construction—

The Chair: Order. We are not going to turn this into a debate about cabinets. We have two other colleagues on the list.

Mr Abel: I just have one more question.

The Chair: Well, your colleagues will not get on. That is the answer.

Mr Abel: One short one. I am sorry. Would these capital improvements increase your equity in the property?

Mr Southen: Would they increase our equity? Obviously, if we are not going to get an increase in the property, they would do the opposite.

Mr Abel: Would they increase your equity if you put these improvements in at the expense of the tenants?

Mr Southen: I hardly see it as being really at the expense of the tenants.

Mr Abel: You did say your rent was going to increase.

Mr Southen: If there was some sort of a flow-through, it conceivably could. It depends really on the

amortization of the thing and what sort of rate of interest we can cut on the deal. I am not certain.

Ms Harrington: You have certainly given a clear picture, a very personal picture and a very good picture of your situation. Personally, I would like to say that you sound like a great landlord and what you are doing is certainly correct as far as I am concerned. We need more people like that.

Mr Southen: I appreciate that.

Ms Harrington: I would like to start off by looking at the big picture. First of all, investment is up and down. We all know that. Even without this government or whatever, a year ago real estate was going down. I have lost equity in my house, and so has George, by a vast percentage this year. It has nothing to do with the government.

Mr Southen: Right. I would like, if I could, to address that for a little bit. The rental housing industry is less subject to those cycles because for all intents and purposes it is a regulated industry. It is not subject to the same sorts of forces that the other ones are, so I think it would be incorrect to say that this decline has happened exclusively because of the market. I think it would be instructive to look at what properties were selling for, what apartments were selling for, prior to the pronouncement and after the pronouncement. That really is the test, because what was happening in the economy in September, October, November is really no different from today.

Ms Harrington: Okay. All I am saying is that there is a larger picture out there of real estate across the province.

The business that you are investing in, I would say, is a very safe business, normally speaking, in this province, if you contrast that with, say, starting a clothing business or a restaurant business or something with your partners. So there are certain good things about the real estate market, as we all realize.

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I would like to put to you that the system of rent review that we have had in this province is patently unfair to small landlords and to the tenants of this province and that is why we are trying to change it. Capital expenditures are something that we certainly are looking at, and we do want to have in place as soon as possible a long-term solution which includes some of your points. We want to work with you to get a workable system for you and for the tenants.

The Chair: The time has expired for this witness. Thank you for coming before the committee. We appreciated your comments.

Mrs Y. O'Neill: We did not have any questions.

The Chair: Oh, I am sorry, I goofed. I want you to know this is the first time it has happened in all our hearings. It happened to Mrs O'Neill and I feel really bad.

Ms Harrington: Put Yvonne in the chair.

The Chair: You have three minutes.

Mrs Y. O'Neill: Mr Southen, you are a young man, you have made a commitment to this province and I want to commend you for that, both in your life savings and you are knowledgeable about the effects of Bill 4 on financial institutions, and you emphasize that financial institutions

are made up of real people. You have brought to the attention of this committee the effect on small appliance manufacturers—I think that is very important—and on property investors such as yourself who have their life savings.

My question to you is, yesterday there was an announcement by the Minister of Housing regarding low-rise rehabilitation. I think your building would fall under those criteria as I knew them before.

Mr Southen: Our building was built in 1972 and the old low-rise rehab program was 1960 and earlier, so I am not certain.

Mrs Y. O'Neill: I am not certain of the criteria yesterday either, but I would certainly ask you to try to be one of the first people in line for those loans, since you are having trouble to reinvest. I thank you for your presentation.

Mr Southen: Right. If I could make one final point, please, Mr Turnbull, regarding refinancing, we have just been caught in this bind in terms of renewing a first mortgage, and if it were not for the exceptional relationship that I have with that particular banker on my real estate business, our loan would have been cut back.

Mrs Y. O'Neill: Thank you for being involved with energy efficiency as well.

TENANTS PROTECTIVE ASSOCIATION

The Chair: The last presenters for this morning will be the Tenants Protective Association. Sir, I noted that you were watching the proceedings and I think you are quite familiar with how we are organizing ourselves this morning. You have been allotted 20 minutes and you have 10 minutes for your oral presentation.

Mr Armstrong: I will keep it brief. Unfortunately, I only found out that this meeting was taking place late last week, so I have not had much time to prepare.

The Chair: Please identify yourself and your organization.

Mr Armstrong: I am Bill Armstrong, the Tenants Protective Association. I act as agent for tenants and I have acted as agent for tenants since 1984, under both this act and the previous act. Again, I have been involved representing tenants under this act in full building reviews and in rent recovery, specifically where a landlord has overcharged tenants or charged them illegal rents.

My personal involvement as far as this act is concerned and my understanding of it is that this will allow time for the government to develop new legislation that will be a little fairer to both landlords and tenants. Under the previous act, I have seen that many tenants have been left in a situation where quite frankly they have been economically evicted from their homes or have had to move because of the rent increases that were being okayed by the rent review services.

I think this legislation is needed. I think it is a good idea. I realize it is an interim piece of legislation in that hopefully over the next year or two years the government, landlords and tenants will be given an opportunity to work towards a fairer piece of legislation that will keep rents affordable but allow landlords a reasonable profit. Again, because of the number of inquiries I have had through my

agency about these massive increases that have gone on over the last couple of years, I think this legislation is needed and should be passed in its format as it is now.

Mr Mammoliti: Thank you for your presentation. You touched on economic eviction. It is something that has concerned us. We have a lot of people come to us who have told us that they are forced out of their units because of increases. Some of those people are forced to go to shelters and food banks because of this. I would like you to elaborate on how you feel about how fair it is for tenants to have to pay two and three times more than the cost of living. That is happening—two and three times more. The previous witness talked about a \$180 increase per suite. I am not too sure about the increase, but I am willing to bet that it is more than the cost of living even in London. How do you feel about that?

Mr Armstrong: I think London may be a little different from Toronto. I have seen rent increases averaging from 20% and as high as 60% in London. The norm is when these proposed increases come along and tenants are given the notice of these increases. I am talking about what has happened the last couple of years. Obviously things have changed in the last couple of months. Quite often, what would happen is that people would be forced out of their apartments. They knew they could no longer, if the proposed increase passed, afford to live there, so they were forced to move. It costs quite a bit of money for tenants to move. That is one cost incurred, not to mention many people had been in these units for years because they felt secure because of the rent controls. Suddenly they are facing a notice of 20%. Again, most of them are forced to move.

So here we have a province of people whose tenant population, on average, from what I have seen in London, moves every two years. That is how it has been. This is for the last couple of years. You can imagine if you had to move out of your home into another home every other year.

Mr Winner: Mr Armstrong, you have been a former small landlord as well as a tenant, so you have seen both sides of the picture. Do you see any benefit in interim legislation like this that makes the whole rent review system less complex for tenants who lack perhaps the financial wherewithal or knowledge to fight complex rent review issues?

Mr Armstrong: This has been another problem. A lot of these rent increases that were proposed have gone basically unchallenged. A lot of landlords were getting away with expenditures or costs that they should not have, in my mind, but only because most tenants do not have the wherewithal to fight these increases or at least get professional help to fight them. So, again, they were forced to move out.

More recently some tenants would stay in the apartments, not realizing that if these proposed increases were passed, they would have to pay this money back retroactively. This has in fact been happening quite a bit. I have had a number of calls over the last year and a half where tenants have been approached by their landlords, and quite

often after they have moved, for this retroactive money and usually ended up in the thousands of dollars, because the rent review system, from what I can see, basically collapsed over the last year and a half. It took a year, a year and a half to get a full building review through. These people have been left up in the air. Probably the situation would not have been as bad if these rent increases, if they were to be approved, had been approved in, like, 30 or 60 days. And quite frankly, most landlords encouraged them to drag on a year and a half or longer because in the meantime most tenants would pay these proposed increases.

Again, I think that we need this legislation now. I hope that over the next year or year and a half or however long it takes, the government works with tenants and landlords as they were supposed to work under the last act, which I do not think they did.

1200

Mrs Y. O'Neill: I just wanted to add one short question if I may, Mr Armstrong. You talked about tenants moving every two years. You said you had statistics on that that the city of London has collected?

Mr Armstrong: No, I have my own information that I have collected. As I mentioned to you, I have been involved in this field for two years. I do market research. Again, that would be a very rough estimate.

Mrs Y. O'Neill: Does this include all tenants in the city of London?

Mr Armstrong: I would say middle- or low-end rent tenants, not high-end.

Mrs Y. O'Neill: Okay. I think we all know that London has a major university. I think most of us know that students do not make a commitment for more than a year or two and are certainly unable to.

Mr Armstrong: I will qualify that. Less than 90% of the people I have contacted in the last five years—tenants only, of course—were students.

Mrs Y. O'Neill: Less than 90%? Okay, thank you. I just wanted to verify your statistics because I think they should be qualified and I would certainly like to have them as accurate as possible.

Mr Brown: Mr Armstrong, we have heard a lot from tenants' advocacy groups about conditions in apartment buildings and maintenance, upkeep of the buildings, etc. From your practice, is that a major problem in London, that buildings are not maintained, kept well, kept the way tenants would like them? Is that a problem in this particular part of the province, would you say, generally?

Mr Armstrong: In London, on average, I would say most buildings are fairly well maintained. I cannot talk about Toronto or any other cities, but in London buildings are fairly well maintained. As far as the last act and the way it worked are concerned, what I saw was not poorly maintained buildings but things that were left for 20 or 30 years were not renewed. Some landlords would leave things 20 or 30 years, then they would turn around and suddenly do massive renovations and ask for 60% increases and obtain

them. That is where I thought this last act failed to address the problem.

Owning property is obviously a long-term investment. It should be an investment. They should have a return, but for people to turn around and neglect buildings—we have had standards—we are not talking about slums, we are just talking about not keeping buildings up for years, not renewing them when things need to be renewed. Suddenly, all at once tenants are forced to face a large rent increase in one year to make up for all the taking-out of the profits and nothing being put back in the building, which I think is something that should be required. Something should be put back into the building on an annual basis to ensure that things are kept up.

Mr Brown: What in Bill 4 will do this?

Mr Armstrong: As I already stated, I think Bill 4 is an interim measure. I do not have the answer to all the questions, but I think there needs to be consultation between the government, landlords and tenants, not as we had last time for Bill 51.

Mr Turnbull: Mr Armstrong, you mentioned at the outset of your comments that you believe permanent legislation should lead to fairer legislation to both the tenants and the landlords. You also explicitly said you thought it was reasonable that a reasonable profit be allowed to the landlord.

Can you reflect for me for a moment on how you find the retroactive aspects of Bill 4, which will mean that expenditures that landlords went into within the guidelines of the law—and indeed, in some cases, they have got provisional orders from the ministry—now, having spent the money, frankly, while the Liberals were still in power and while that legislation was in force, landlords are being told that they cannot have that, because you are talking about fairness for both the tenants and the landlords.

Mr Armstrong: Again, I guess one thing I would want to look at is these expenditures and what they were. Seeing what I have seen in the last year and a half or two years, the types of expenditures that have taken place, I appreciate that argument and I can appreciate both sides of the story and I would have to say that I can see both sides to that story.

Mr Turnbull: Do you approve of retroactive legislation of this nature?

Mr Armstrong: I would have to say I do not fully understand that part of the act, that Bill 4, and I am not 100% sure, on top of that.

Mr Turnbull: The concern, and it has been the concern that has most consistently been expressed by both the Liberals and the Conservatives with respect to this legislation, is the retroactive aspect of it, the fact that landlords within the framework of the law have gone out and they have undertaken capital renovations. You must have substantially completed capital renovations before you can apply for the rent increase and, as you know, you must give three months' notice to the tenants. These are things

that occurred in some cases a year back and they have spent the money, they have raised the money at the bank.

Mr Armstrong: Just a little while ago I mentioned to you that some people neglected buildings. I do not mean they are slums, I just mean they have not put anything back into them for 20 years. Again, this is a situation—I would want to look at each and every one of those situations.

Mr Turnbull: We have had expert testimony from the ministry in terms of what the distribution of expenditures was and also from contractors who do this work, and it has been identified that something in the order of about two thirds of all of the work is of a structural nature that could not have been cut off by any maintenance procedure. It is just the aging of the housing stock. What would you do about that? These people have entered into these renovations. You say that suddenly the landlords come forward and want to do these, but it is a function of the fact that the building has got to a certain age and needs these capital expenditures. Now they have spent the money and the government is saying: "Well, you're out of luck. It's tough that you borrowed the money at the bank. You can't get it back."

Mr Armstrong: Again, I think that each one of these situations would have to be looked at. I appreciate government statistics. That particular section, I cannot say that I understand it 100%. It is a new piece of legislation, as I mentioned earlier to you today. I have not had ample opportunity, because I found out about this meeting very late last week, to properly prepare and study this situation 100%.

Mr Turnbull: No, I understand that. You prefaced it by saying—

Mr Armstrong: I realize where you are leading, but again—

Mr Turnbull: I am not leading you. I am just asking in the interest of fairness, because you started out by saying "fairer to both tenants and landlords."

Mr Armstrong: Exactly.

Mr Turnbull: In fact, the Minister of Housing, when he opened up these proceedings, suggested that in the permanent legislation that will replace this there will be a provision for flowing through those capital costs again. But in the meantime, those landlords who have expended money after the fact of being told, "You can't have that"—I am not talking about the ones—

The Chair: Time has expired and I do not think we are getting anywhere on this point. I appreciate the questions and the answers.

Mrs Y. O'Neill: You do not usually make that comment.

The Chair: I want to thank all the presenters who were here this morning. We are adjourned until 2 o'clock this afternoon.

The committee recessed at 1209.

AFTERNOON SITTING

The committee resumed at 1402 in the city hall, London.

The Vice-Chair: I see a quorum.

Mr Turnbull moves that the president or other senior official of the Trust Companies Association of Canada be invited to appear before the committee to provide an assessment of the financial implications to landlords and financial institutions of this legislation and its implications for the financial wellbeing of the province.

Mr Turnbull: That is the motion. The background is that we have heard a lot of testimony about the inability to replace mortgages, and I think it is important that we be able to gauge the validity of that information from expert testimony.

Mrs Y. O'Neill: I certainly feel that would be very helpful information. I do think the banks and the trust companies must be beginning to feel some of the impacts of this legislation. We have had anecdotal reports of this, and I hope they would come before us with some firm data and can share their experiences with us.

Mr Tilson: I agree. We have been hearing a considerable amount of evidence, hearsay evidence basically, from property managers and those types of individuals, who have spoken to someone who has spoken to someone. I think it is time this committee got more specific facts. I think there was a broker who gave us specific facts, but information from the people who actually make the loans, the people who actually fork over the dollars to assist the people of this province, is badly needed. For that reason, I wholeheartedly support the motion.

Ms Harrington: We certainly feel that we want to hear on this committee any information with regard to the effects of Bill 4. If the clerk feels there is a spot, any person is free to come to this committee and we would invite them. If you can find a suitable person, please invite them and we will try to give them their 20 minutes or whatever is appropriate.

Mr Tilson: I am glad to hear those encouraging remarks from Ms Harrington. I guess that is a realistic question. We are receiving different types of information from applicants around the province, whether they be people who are providing jobs or tenants' groups or landlords' groups or whatever but no specific expert testimony. I am wondering whether you and the clerk have set aside any specific day, if indeed a day is available, to hear not only the type of testimony that Mr Turnbull is suggesting but perhaps the type of evidence that Mrs O'Neill and others have suggested from the ministry. We have yet to hear the ministry people come and speak to us in detail.

The Chair: We have received no mandate for the committee to set aside any time whatsoever other than the schedule that has been presented to the committee. After receiving instructions from the committee. I had the weeks of hearings, the times and where we would be meeting put on a calendar so that members could see when, where and

how we would be meeting. That is a matter for the full committee to decide.

Mrs Y. O'Neill: Some time late last week we were talking about having the minister return. As you know, I have some outstanding questions, as others do. We know now—I think we were told yesterday—that ministry officials are coming on 12 February at noon. Have we had a response from the minister? As I say, we were going to have him come at 5 o'clock last Monday night. That was not convenient to some of us. Do we have a new time slot when the minister will be able to come?

The Chair: There is a motion on the floor. We are now moving to a different subject. Can we deal with the motion first, and then we can move on to other matters.

Mr Mahoney: I was going to move that the question be put and we take a recorded vote.

The Chair: Okay, there is a motion on the floor that the question be now put. There is absolutely no discussion allowed under our standing orders.

Mr Mammoliti: I just wanted to find out what the motion was.

The Chair: The clerk will read the motion before we vote.

Clerk of the Committee: Mr Turnbull moves that the president or other senior official of the Trust Companies Association of Canada be invited to appear before the committee to provide an assessment of financial implications to landlords and financial institutions of this legislation and its implications for the financial wellbeing of the province.

Ms Harrington: On a point of clarification, Mr Chairman.

The Chair: A point of clarification is allowed.

Ms Harrington: This is obviously within the time lines that the committee has established. As I mentioned, we would ask—

The Chair: There is no free time. I have said that over and over again. There is no free time.

Ms Harrington: On the original schedule I looked at yesterday, I believe there were some spaces that said "unconfirmed" etc.

The Chair: The only reason we would see space like that is because the organizations had not by that time got back to the clerk.

Ms Harrington: I am just clarifying that we do have a deadline with this committee. This committee has also said it will meet over lunch, it will meet in the evenings etc, but we certainly—

The Chair: Order. We cannot have a debate on the motion. The schedules are all imposed on the Chair by the committee. All of us have to realize that.

Mr Mammoliti: Mr Chairman, we cannot properly vote unless we get clarification from you about what we

have available, if we are willing to take advantage of some of those slots that are available.

The Chair: Mr Mammoliti, let me repeat, we have no time at this moment.

Mr Mahoney: On a point of order, Mr Chairman: It is my understanding that under the standing rules, if a motion is put the vote shall take place.

The Chair: You are correct. The Chair was being very lenient.

The committee divided on Mr Turnbull's motion, which was negatived on the following vote:

Ayes—5

Mr Brown, Mr Mahoney, Mrs Y. O'Neill, Mr Tilson, Mr Turnbull.

Nays—6

Mr Abel, Mr Duignan, Ms Harrington, Mr Mammoliti, Ms M. Ward, Mr Winninger.

The Chair: Okay, that has been dealt with. I believe Mrs O'Neill had a second point.

Ms Harrington: A point of clarification: Just to answer Mrs O'Neill's question, I believe the minister will be appearing tomorrow. I have not had it on paper to give to you, Mr Chair, but he will be available tomorrow.

1410

The Chair: When will he be available, Ms Harrington?

Ms Harrington: During the whole day.

The Chair: We have a full schedule.

Ms Harrington: He will be an observer and if you have questions—

Mrs Y. O'Neill: Are we being asked, Mr Chair, to talk through our lunch-hour?

The Chair: I want to see the schedule for Windsor, please. I want to draw everyone's attention to Thursday's schedule. As members can see, the hearings commence tomorrow morning in Windsor at 9 am. We go through, as we are doing today, until 1 and then we commence again at 2. With the regular time overruns we have been normally experiencing, I am assuming the committee will probably wrap up somewhere around 5:20 to 5:30. Unless the minister had intentions of speaking to the committee at 5:30, there is no place on the schedule. I received no instructions from the committee to allocate time to the minister. I do not want anyone to think that tomorrow we are going to be cross-examining the minister when we have already informed delegates that their time has been allotted.

Mrs Y. O'Neill: Mr Chairman, we have to go to Toronto tomorrow at 7:05. Many of us have connecting flights to get back to our constituencies.

The Chair: I think it is great that the minister is going to be there as an observer, but I do not want to leave the impression here today that this schedule can now be diverted from. I am only following the committee's instructions.

Ms Harrington: Fine. I just wanted to make you aware that I believe the minister will be available.

The Chair: Available for what? I am confused.

Ms Harrington: Whatever you want.

Mr Tilson: On a point of order, Mr Chairman: It is nice to have this dropped on us literally 24 hours before. He has announced he is available. The government is not prepared to hear anyone else, but it is prepared to go at the beck and call of the minister. I am prepared to hear the minister, but surely at the appropriate time.

Mrs Y. O'Neill: Mr Chair, as it is my request, I would certainly ask again and I am certainly willing to hear the minister over a lunch-hour. Tomorrow is 9 to 1, though. It is an extremely heavy day. I do not think tomorrow is the right day. Maybe you and the clerk want to discuss if there is another lunch-hour in the following week we have together when he would come, because I think many of us have quite a few questions.

Mr Turnbull: On a point of clarification, Mr Chair: I would like to understand what exactly is meant. Ms Harrington has sort of indicated that she thinks it is a good idea that we get the expert testimony, and then all of the NDP in the recorded vote have said they will not make any time available or they will not hear that expert testimony. This must be Newspeak. I would just like to understand how this works.

The Chair: That matter has already been dealt with. The committee has duly taken a vote and the matter has been dealt with. The votes were counted and the matter was defeated. I cannot change those results.

Mr Turnbull: Thank you, Mr Chairman.

Mr Mahoney: Nor understand it.

The Chair: Do not put words in the Chair's mouth, please.

Mr Mammoliti: I do not know what the opposition has eaten for lunch, but I certainly would like to continue the progress we have witnessed here today and call the next witness and go to it. We are wasting time here, as far as I am concerned.

The Chair: Order. Members have the right to raise legitimate points of order and the Chair is obligated to hear those. The Chair has an obligation to hear legitimate points of order and dispose of them as quickly as possible. We had a legitimate motion put forward for a vote and we disposed of that as quickly as possible. When debate was commenced on the same matter, I cut it off. We are going to proceed.

Mrs Y. O'Neill: May I ask if the clerk has been able to get hold of the other cabinet minister who made a representation to this committee, the Minister of Revenue?

Clerk of the Committee: No, but I will do that this afternoon.

Mrs Y. O'Neill: I would like the results of that phone call, if we can, today.

The Chair: The clerk informs me that she will try to call the Minister of Revenue this afternoon on behalf of the committee.

LONDON PROPERTY MANAGEMENT ASSOCIATION

The Chair: London Property Management Association is the first presenter for this afternoon. We would ask that you state your name and the position you hold with this organization. Your organization has been allocated 20 minutes. You are allowed 10 minutes to make a presentation to the committee and that will be followed by 10 minutes of questions by the committee members. The floor is yours.

Mr Shillington: Thank you, Mr Chairman. I am Ken Shillington, president of the London Property Management Association and I am wearing two hats today. I am also a landlord who is directly affected by the retroactive legislation.

I will tell you a little bit about our organization. We have approximately 170 members representing about 2,700 units; 85% of those landlords have less than 10 units. We have monthly meetings October through May, with speakers such as someone from rent review, fire department, human rights, accountants, lawyers, credit bureau, to assist us better in the day-to-day operation of our business.

To give you a little background about myself and my situation, I have been a landlord in the city of London since 1971, even when it meant less yearly income than many of my tenants were making, such as 1981 through 1983 when one mortgage payment jumped in excess of \$4,000 per month and we had to sell our home at a bargain basement price, move and disrupt our family, sell our car, truck and snowplow and lay off our son who was employed full-time by us. I had to find full-time employment elsewhere myself, while still managing our real estate investments, because we could neither sell them nor give them away, short of declaring bankruptcy.

During April 1990 I started in excess of \$200,000 worth of capital expenditures on a 23-year-old building; no luxury expenditures, just replacement of a 23-year-old leaking roof, with added insulation so that the tenants on the top floor are now toasty warm for the first time since the building was built; replacing the carpets in 41 apartments; replacing 23-year-old kitchen countertops and taps; replacing the chipped vanity sinks and taps and bathtub taps. The control entry door, which could be opened with a heave from your shoulder, was replaced. The lobby was renovated with ceramic tile, not marble.

A bench and planter with shrubs was installed, which the tenants have taken great pride in showing off to their friends and relatives ever since. A broken, deteriorated sidewalk, where you walked through three inches of water after a rainstorm, was replaced. Twenty apartment walls at the ends of the building were insulated and drywalled. Walls and ceilings where there had been chronic cracking problems were strapped and drywalled, involving 11,300 square feet of drywall.

Prior to the start of the capital expenditures the tenants were kept informed through my superintendent of work that was being contemplated and the approximate cost, with no negative feedback. The work was substantially completed by the end of July, at which time the figures

were compiled and the appropriate application made to rent review services for a 17% increase. That was including the statutory increase.

The increase was to start 1 January 1991, continuing through the calendar year 1991. In July 1990 I had to borrow \$200,000 at 14.25% to finance the expenditures. The tenants began to immediately enjoy the benefits and in a majority of cases would have the benefits for a year and more before the rent increase started. I was supposed to get my money back over the next 20 years.

On 28 September 1990 I received a letter from rent review services stating that it was in receipt of my application. All of the above renovations and application were made as a prudent business decision in accordance with the Residential Rent Regulation Act, 1986.

For a government to come into power and attempt to pass retroactive legislation to disallow legitimate applications to recover over the next 20 years a financial obligation made by a landlord shakes to the very foundations any respect that a voter has for politicians, at a time when politicians in this country have a serious credibility problem to start with.

It was not as though I had asked for rent increases for all capital expenditures. I did not ask for an increase two years ago when I spent \$6,000 to expand the parking lot, not for my benefit but for the benefit of my tenants. I did not ask for a rent increase when I had all the balconies scraped and painted twice in the last six years. I did not ask for a rent increase when I installed storm windows at a cost of \$8,000. I did not ask for an increase when I upgraded the parking lot lighting to cut down on automobile vandalism. I did not ask for an increase in rents last year when I changed the lawn service to twice a week from once.

1420

Now that I have stated my situation, I would like to say that there are landlords in this area who should be speaking here today who are afraid to because they do not want their friends, relatives and neighbours and most of all their lenders to know the plight they are drifting into because of this piece of legislation.

Personally, if Bill 4 is enacted as proposed, completely and retroactively disallowing any recovery for my capital expenditures, it leaves me with two choices. Number one is to reduce the level of services to that which is mandated by a standards board, such as that the lawn will no longer be as carefully kept as in the past. Instead of plowing automatically on a two-inch fall, snowplowing will be done by financial discretion. I will no longer paint apartments. My tenants for the past four years have had a superintendent for whom they made a recommendation to the London Free Press for the award as a person who makes a difference around here and who also is probably the highest-paid superintendent in the city of London on a per-unit basis and worth every cent of it. I will not continue and cannot afford to continue to pay for the same high calibre of service, but I will have a superintendent. The aforementioned will not be done through vindictiveness, because my tenants deserve better and were prepared to pay for better and I take pride in the condition of my real estate

holdings. It will be done so that I can attempt to repay the borrowed money I have spent.

Alternative two is to sell the building so that I do not have to hire expensive lawyers and accountants to handle difficult, time-consuming legislation. The sale would likely be to someone who would have it fee-managed for one consideration and one consideration only, that being the bottom line. In neither of these two options are the tenants or the building going to be the beneficiaries.

I am sick and tired of hearing a political broken record of marble foyers and over 100% rent increases. Some of these situations may exist, but I believe they are a very small minority and they are mostly a Toronto problem, and that most tenants are well served by responsible landlords and satisfied tenants are not going to take time off work to make a submission to this panel.

I keep hearing about a standards board that is going to force landlords to maintain apartment buildings. I could save a lot of money if I only had to maintain my apartment building to the level that I was forced to, but I believe most tenants expect a lot more than minimum standards and are willing to pay for more than minimum standards. Landlords, for the most part, have been treating their tenants and buildings in a responsible manner and the capital expenditures required are for building systems at the end of their useful life and not neglect.

We would like to see Bill 4 rejected in favour of an approach where all parties to the problem are consulted to resolve their problems based on a long-term approach. If luxury renovations are a major concern, they can be handled with regulations that define the type of work for which we can get prior approval from rent review. If large rent increases really are a major concern and not just a political ploy, that can be resolved by putting a cap of 5% to 8% a year above the annual guidelines.

We feel that any new restrictions should apply to capital expenditures started after 28 November 1990 and financial loss provisions should affect sales agreements from the same date forward. We feel that Bill 4 will do more to damage landlord-tenant relations than all that has collectively transpired since the inception of rent controls 16 years ago.

Finally, we feel that landlords are going to be badly damaged by Bill 4 as proposed, some driven to bankruptcy, but the tenants are going to be the ultimate losers.

Mr Mahoney: Mr Shillington, thanks for your presentation. Could you tell us a little bit about the association? We have heard from some rather large, substantial landlords. There has been an attempt, on the part of the government, I think, to paint a picture of all landlords, along with the issue of the marble foyers, etc., as being huge Greenwin Property types, and when we get someone like you who puts a face on the landlords we like to know a little bit more about you, about your business and about the association you represent.

Mr Shillington: I have 66 apartments and two offices. The bulk of those apartments are in the one building that I alluded to with the capital expenditures. I have been a landlord in this city since 1971. As I said, I almost went

bankrupt trying to support the buildings in 1981 through 1983. Our association has approximately 170 members, a lot of them small landlords with 10 units and under. We hold monthly meetings for management advice. We provide the members with legal forms, leases, applications, inspections. We have a hotline for our landlord-tenant problems. At our meetings, we regularly have people from associations to help with our problems. We have people from the fire department regarding fire codes and building codes.

Mr Mahoney: Would it be safe to say that the majority of your members are simply small business persons?

Mr Shillington: A majority of them are, yes.

Mr Mahoney: We are not dealing with the proverbial numbered companies or offshore investments or that kind of thing. They are local London business people.

Mr Shillington: I must say that my company is a numbered company.

Mr Mahoney: The suggestion also that is being put forward to many of the tenant groups that come before us and tell us their problems with some of their landlords is that Bill 4 will in some way solve these problems. I refer primarily to maintenance problems. The majority of the problems we have seen have been in the city of Toronto. We have seen very little evidence, if any, of that here in London. Frankly, it has just been more or less generalities about those kinds of problems. By the way, I think on this side we totally agree with the sense of the difficulties of the retroactivity, etc., but do you see anything in Bill 4 that will solve problems for tenants, whether it be here or in other parts of the province, with regard to motivating their landlord to fix problems or increase levels of maintenance?

Mr Shillington: I see nothing of that nature. In fact, it is all to the contrary. As I said in the last statement, I think the tenants are going to be the ultimate losers. We have bad landlords in London too, but I do not think perhaps to the degree that they have in Toronto. We do not have the vacancy rate problem that tenants have in Toronto. We have a very, very healthy vacancy rate in this city and there is nothing in this world that makes a better, more conscientious, responsible landlord than a 3% vacancy rate.

Mr Turnbull: Mr Shillington, if you have been following these hearings as they were being televised, you will have noticed that the greatest number of questions we have been addressing ourselves to are with respect to retroactivity. You have mentioned the need for capital expenditures and you have mentioned that for many, many years you did not go for any increases, but clearly in certain years when you had major expenses you went to this. Is it your experience as a long-term owner of residential property that there has ever been any suggestion in rent review that it was not to be added on, the cost of capital expenditures?

Mr Shillington: No.

Mr Turnbull: That was always clear, was it not?

Mr Shillington: Yes, it was.

Mr Turnbull: It has also been suggested that for landlords, to the extent that they get a poor rate of return on an annual cash-flow basis, that is offset by capital appreciation.

Could you tell me, in your estimation, is it possible to have capital appreciation without being able to flow through those costs of refinancing from time to time?

Mr Shillington: The only thing that increases capital appreciation is increased cash flow.

1430

Mr Turnbull: So unless you can flow through those costs, it is impossible to increase your cash flow and therefore impossible to increase your asset value.

Mr Shillington: That has been my experience.

Mr Turnbull: You mentioned you had two offices. Is that within those buildings or two separate office buildings?

Mr Shillington: They are separate to the building I have been alluding to here.

Mr Turnbull: What has been your other expense in terms of return on investment? Have the offices or the apartment buildings performed better?

Mr Shillington: The offices are two offices in conjunction with two apartments.

Mr Turnbull: I see, they are integrated with it. So that does not have any relevance. Could you live with this legislation for a maximum of two years if they would take away the retroactivity?

Mr Shillington: Yes, I could.

Mr Turnbull: Could you expand on that?

Mr Shillington: It is the retroactive part that is going to hurt me because I borrowed a substantial amount of money to do the renovations. I thought I was acting as a prudent businessman when I did it, because the legislation of the day said that if I did it the way I did it, I would get the increases I was asking for.

Mr Turnbull: Can you tell me, had you gotten the increases, would you consider these apartments still to be affordable? Maybe you would tell me what the rent levels would have been if you had gotten these increases.

Mr Shillington: Current rents are \$522 for a two-bedroom and about \$460 for a one-bedroom, including all utilities.

Mr Turnbull: Would you know what the income level of typical people in the building would be?

Mr Shillington: That is difficult because you have such a broad spectrum, from retired people to—

Mr Turnbull: But it certainly sounds as if it is affordable accommodation even if you had gotten this increase.

Mr Shillington: In comparison it certainly is.

Mr Turnbull: So you are being penalized. Thank you very much.

Mr Winninger: You have painted a picture of yourself as a very responsible and caring landlord. I have no reason to dispute that, in fact. If I accept that and the evidence is that you have maintained high levels of maintenance and services, you have the highest-paid superintendent in the city, I believe you said—

Mr Shillington: On a per-unit basis.

Mr Winninger: On a per-unit basis, and yet you also indicated that you did not have to go to rent review for the last few years.

Mr Shillington: No.

Mr Winninger: When did you last apply for rent review?

Mr Shillington: For 1 January 1988.

Mr Winninger: Has that been dealt with now?

Mr Shillington: Yes, it has.

Mr Winninger: Did you make any other applications for rent review since Bill 51 was enacted?

Mr Shillington: No, I have not.

Mr Winninger: So other than—

Mr Shillington: Are you talking about this particular building?

Mr Winninger: Yes.

Mr Shillington: No, I have not.

Mr Winninger: So other than the one increase where you had to apply for a rent hike more than the statutory increase, you were able to maintain a high level of maintenance and services and only increased your rent by the statutory guideline each year.

Mr Shillington: With two applications, one in January 1988 and one for 1 January 1991.

Mr Winninger: And the one for 1 January 1991 is the one you are complaining will not go through because of Bill 4.

Mr Shillington: That is correct. The previous application was for 11%, including the guideline.

Mr Winninger: How much of an increase were you applying for in your 1 January 1991 application?

Mr Shillington: For 17%, including the guideline.

Mr Winninger: How did you honestly expect your tenants could afford to pay a 17% increase in one year?

Mr Shillington: Because the rents were still well within the realm of anything competitive, in fact better than a lot of competitive apartments.

Mr Winninger: What is your range of rents?

Mr Shillington: It is \$522 for a two-bedroom and \$460 for a one-bedroom.

Mr Winninger: My colleague has a question.

Ms Harrington: I just want to point out that if your income normally goes up, let's say, 5%, how can you pay out the 17%? I think that is what we are dealing with.

I wanted to let you know very briefly the position of our government, just to clarify a few points. First of all, we believe very honestly, and a lot of people are telling us this from all walks, that the present legislation on rent review is plainly not working for a majority of people in this province. You mentioned a building being lost by a landlord or bankruptcy. I would just like to point out that for every bankruptcy of a building to a particular landlord, there are hundreds of people being "economically evicted," the term we have been using, being turfed out of their homes because of the rent increases. That is what is happening in this province and that is what we are dealing

with. I believe you agree that maintenance is done within the guidelines of the 5%, say, this year.

I would like to let you know that the two issues you raise—first of all the capital costs, which were very clearly identified this morning by one of our presenters, and the other issue of the retroactivity—are things that we are looking at very carefully. That is why we are out here listening.

I just wanted to end by saying that this is short-term legislation. We are working very hard and almost desperately to try to get permanent legislation through by the end of the year and we want to have landlords and tenants and everyone else involved, the bankers, the rest of this community work together to get really good, long-term legislation so everyone knows the right rules to follow.

The Chair: Sir, I am sorry, time has expired. I wish I could give you more time, but I am unable to do so. Thank you for your presentation.

1095 JALNA TENANTS ASSOCIATION INC

The Chair: Next is 1095 Jalna Tenants Association.

Mr Ruppel: Good afternoon, ladies and gentlemen. I am Bert Ruppel, president of the 1095 Jalna Tenants Association. You will see in our brief to you people that we, the tenants of 1095 Jalna Tenants Association Inc, in the city of London, feel that the bill to review the Residential Rent Regulation Act of 1986 should include a subsection protecting tenants from the practice by builders who build poor structural complexes.

As an example, a complex which is only 10 years old should be in nearly new condition, but because of poor workmanship, poor materials and poor maintenance, these buildings become shambles of residences which are later costly to maintain and repair. These same builders then keep the buildings in their names at arm's length by formation of another numbered company of which they are the principal owner, personally purchase the property at a much higher price than they built it for, depreciate it, sell it again at a much higher price and/or apply to rent review for a phase-in of ridiculous rent increases to cover the often exaggerated rents required to cover the losses they incur. These same landlords then leverage these properties with higher mortgages to build similar properties and the practice repeats itself again and again.

Another area needing attention by the bill is the practice to allow landlords to phase in increases at their discretion. What is happening is that the landlords apply for huge increases of phase-ins, then knowing they cannot rent these units at these rents or knowing they do not need these high rents to make a profit, they can increase the rents any time down the road without applying to rent review for further increases. Meanwhile, these landlords reinvest their capital into their own mortgages on the property at higher interest rates than they could achieve elsewhere and pass these costs on to the tenants. An example is a 20% third or fourth mortgage. This is allowed by the rent review as acceptable because of the volatility and the insecurity of these instruments. If owners of a business invest in their own business or property and have no trust

in themselves, why should they be allowed to lend themselves money at such high interest rates?

On the subject of phase-ins, landlords should be allowed this practice in any one year and not over a period of years or the total maximum. A solution would be to set phase-ins in any year for which they are entitled, be voided if they were not phased in in that year and any phase-in in the following year be based on the previous year's rent or the current annual rent.

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Another practice landlords entertain is to leave buildings vacant for long periods to increase their losses prior to applying to rent review for increases, with intentions to recover the losses by higher rents later. Landlords should be required to account for the vacancies and the length of their vacancies when applying to rent review for increases.

In the area of coverage of residences by agents and tenants' associations, live-in superintendents should have more protection and be allowed to be covered by tenants' associations representing the complex. Landlords should be prohibited from forming similar associations that represent the landlords' interest or allow the landlords to pay superintendent fees for memberships, honorariums to tenants' associations or donations of any kind that may be construed as a bribe or a payoff.

There is also another area that neither the original bill nor the current bill being considered covers. Increases of rents according to the guidelines should be limited to the current rent and not the maximum rent allowed by the minister, as these encourage landlords to attempt phase-ins that are unnecessary.

Where a municipality has no bylaw setting out maintenance standards and uses the provincial guidelines, as the city of London does, these regulations should be upgraded to a higher standard and reviewed periodically since they set out only the bare limits for maintenance.

Rents set out to be paid to the landlord should not be made retroactive as set out by the proposed subsection 100h(2) as this would provide extreme hardships to single parents and low-income residents. These rents allotted under the social assistance programs are higher rents than those allocated for rent under social assistance programs. In turn they have to budget from some other source, eg, food, clothing, etc, in order to cover these rents and pay the individual's rent, and so they are short in the end. If this is allowed to happen, this is only going to increase the hardship.

Hardship relief costs should not be included in managerial fees included as operating expenses. This would encourage landlords to take more interest in their own properties and reduce the losses they may incur. Also, structural repairs due to neglect, poor maintenance and poor building quality should not be a part of the operating expenses.

Where rebates from landlords are not forthcoming by the deadlines, under statutory evidence, higher fines should be allocated. For example, most landlords will not pay interest on the last month's rent unless the tenant requests the interest in writing, even though contrary to the act. This requires time off from work for an individual

tenant and appearance in court in order to enforce an interest payment. Another alternative might be that the interest be compounded at bank interest rate plus 2% since the practice is currently using the moneys paid by tenants as cheap available capital. It should be further required that the landlord provide the tenant with an annual statement of the amount of the last month's rent plus details of interest paid or credited.

Where a tenants' association represents its members as an agent for purposes of this act, that this be allowed providing the association is a non-profit registered body or incorporated as a non-profit body.

We would like to thank the committee for allowing us to appear on our behalf and the tenants of 1095 Jalna Boulevard and respectfully submit this for further consideration as amendments to Bill 4.

Mr Tilson: You have raised a lot of issues that I am sure the government will consider in its green paper, which it is introducing next month dealing specifically with Bill 4. Some of the comments you have raised are relevant.

One of the areas that I would like to specifically question you on for further clarification is the issue of flipping, because this is one of the areas the government has been saying is why Bill 4 has been implemented, because of the abuse of flipping. You have expressed something that I gather you are saying is going on in this area. You are submitting that there are buildings of poor construction which in turn goes on and as a result encourages flipping. Just to assist us, do you have specific facts on specific buildings?

Mr Ruppel: Yes. We have 1095 Jalna. It is owned by a large contractor at arm's length. I will give you an example. Basement walls on my building are from 5.5 to 6.5, two-storey, brick bottom. It is a wooden upper floor—

The Chair: Sir, I think the question was about flipping, if I may interject to get to the point.

Mr Ruppel: And how the property is flipped over. I understood that. The man has decided to try to make these into condominiums at twice the value or one and a half times the cost of what they are worth. That is not working because we pointed out how badly the building is constructed.

Mr Tilson: Just stop there for a minute. Would you not go to the building inspection department?

Mr Ruppel: They are in there this week.

Mr Tilson: So that is in the process of being examined and perhaps even taken to the court.

Mr Ruppel: We may have to.

Mr Tilson: I would suggest that if you are talking about poor workmanship, there is a building code. The provincial government has a building code. There are local standards. There are property standards. There are provincial standards. You have indicated that some of those maybe should be tightened up, and that may be sound advice, both provincially and municipally. But for the specific examples you are giving, I strongly recommend that you pursue the issue. The man must have had a building permit. If the building inspector is doing his or her job,

that matter should be pursued. I would strongly recommend that you pursue that, because you may find some relief there.

Mr Ruppel: It is kind of late to do that now. These buildings were built in 1980. It is pretty hard to tear down a building today.

Mr Tilson: That is why I was asking you for specific facts.

Mr Ruppel: These are facts.

Mr Tilson: But specific facts that at the time of construction they violated the building code.

Mr Ruppel: At one end of the building it is an eight-inch wall, where an inspector would not normally go. They know where the inspectors go.

The Chair: The time has expired. I just remind committee members that we are trying to keep all our questions on Bill 4. I understand building standards are very important. I do not know where Bill 4 addresses building standards. It does not matter to me how committee members use their time, but I am just reminded because—

Mr Tilson: On a point of order, Mr Chairman: I felt that line of questions was relevant. It was dealing with the point of flipping and that was one of the main issues why Bill 4 has been implemented.

The Chair: I do recall the matter of flipping, but I think all the questions dealt with the building standards. As I said, it does not really matter to me. It is up to the committee members how they wish to use their time, but this morning I was cautioned so I thought it would be important for the Chair to intervene at this point.

Mr Winner: You have made an effective presentation. I would just like to focus in on an issue you address in the third paragraph of your submission, and that is the pass-through of excessive financing costs.

I guess you are aware that Bill 4 would limit the pass-through of financing costs to 75% of the equity. I would suspect from the tenor of your submission that your experience has been otherwise, that landlords, through numbered companies and companies that are technically at arm's length but bear some relationship to each other, are passing the equity along and each time increasing the financing and that gets passed through in higher rents to the tenants. Could you comment on that? Is that the case with your complex?

Mr Ruppel: The mortgage certainly is not coming down from 1985 to the current. He is still drawing the 20% as interest on a third mortgage.

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Mr Winner: Does it concern you that the high rents resulting from financing cost increases did not come down when the financing costs are reduced to the landlord?

Mr Ruppel: In this case it has happened, but why should the man take the money out of a business that is bringing him in 20%? He would be foolish not to. If I were him and could get away with it in my business, I would like to do it too.

Mr Winninger: Is it your experience that the landlords not only are refinancing their own buildings, they are refinancing them to create capital to acquire other buildings and meanwhile pass through the higher financing costs to their tenants?

Mr Ruppel: That is true, yes, especially with the larger landlords and builders.

Mr Winninger: Thank you, Mr Ruppel. Those are my questions.

Mr Mahoney: I do not think it is in here, but could you give me specifics of what your rent increases have been, say, over the last two or three or five years, or whatever you might have.

Mr Ruppel: From November 1990 to November of this year my increase was \$540 to \$615.

Mr Mahoney: Sorry, you lost me there. November of 1990 or 1989?

Mr Ruppel: Correction: November of 1988 to November 1989, \$540 to \$615.

Mr Mahoney: So, 1988-89, okay, it went up \$75.

Mr Ruppel: Yes, and from November 1989 to November of this year—

Mr Mahoney: Of which year, sir, 1989-90?

Mr Ruppel: To 1990, yes. This past November the rent jumped from \$615 to \$690, another \$75.

Mr Mahoney: Were these the result of orders through rent review that were applied for?

Mr Ruppel: Right; these are the phase-ins.

Mr Mahoney: And you appealed against these?

Mr Ruppel: We have appealed against the phase-ins.

Mr Mahoney: Have they actually been approved?

Mr Ruppel: They were approved and we applied for an appeal.

Mr Mahoney: Okay. Under Bill 4 they have put a moratorium on that. There is a cap on it. That is understandable, for the two-year period.

Mr Ruppel: We are not covered.

Mr Mahoney: But my question deals more with the issue that you seemed to dwell on in your presentation, which is the quality of the building, the maintenance, the upkeep, that type of thing. Is there anything you can point to in Bill 4 that would address that problem?

Mr Ruppel: No. This is why we are asking that something be done to that area.

Mr Mahoney: Okay, and do I understand what you are saying here correctly when you say that landlords should be prohibited from forming associations.

Mr Ruppel: Yes.

Mr Mahoney: Such as the one that was just before us?

Mr Ruppel: As a guild or a body, yes. He is not representing the tenants. We had an instance of that in north-west London.

Mr Mahoney: So on Mr Shillington's association, the London Property Management Association, you are saying that—

Mr Ruppel: He is a small association.

Mr Mahoney: —they should not be allowed to form that kind of relationship with one another?

Mr Ruppel: If he wants to form a tenants'—what would you call it?—not an association.

Mr Mahoney: But he is not a tenant; he is a landlord.

Mr Ruppel: Yes. Not a tenants' association per se, and ordered to keep your tenants in line: "As long as you do not cause any waves we will not attempt to get rid of you." When a landlord attempted something like that, we formed an association and started our fight.

Mr Mahoney: Okay, thanks.

The Chair: Sir, thank you for your presentation.

BILL LATVANEN

The Chair: Our next presenter is Bill Latvanen. You have 10 minutes for your oral presentation and 10 minutes for questions. The floor is yours.

Mr Latvanen: My name is Bill Latvanen. I reside in the city here along with my wife and two children, nine and five. Please excuse my nervousness here.

The Chair: This is very informal, Bill. Just take your time and read from your notes.

Mr Latvanen: It hardly seems informal.

Interjection: It is not a fireside chat.

The Chair: Well, we need a special licence to serve wine.

Mr Latvanen: I am not politically active in any of the groups that have been represented here, or rather I guess I should say I have not been politically active because I guess I am now. This proposed legislation, Bill 4, has me frustrated and I suppose a little bit angry and I am here to try and represent the concerns of myself, my wife and my family. I realize there are other parties affected by this legislation, but I am certain they are better organized and able to represent their own concerns.

Briefly, I guess what I would like to do is just paint a personal picture of how this will affect me. As I indicated, I am married. I have two children, nine and five. I purchased my first rental property in 1980—it is four units—and my second property in 1982, and that is eight units, so in total we have 12 units. We lived in the first building for two years until we purchased the second building. We lived in that building up until 1988 when we were able to afford a home. This is a modest home. It is a two-bedroom home. It is not expensive.

For the first several years, for all of the work that goes into looking after a small property, there is no big return on this. I hear these words "flip" and what not. I never flipped a property. I own these properties. I intend to keep them for a long time. I do not have an indexed pension plan. I have an inconsequential amount of money in an RRSP. I have a large mortgage on the property that I currently own. I work full-time hours. My wife works.

I find this kind of proposed legislation extremely frightening. To the best of my knowledge it has already devalued the properties that I own. Getting to the point,

I guess if that is my fault that I bought into this, then this is my fault.

I come from very modest circumstances. My father was a steelworker. My mother did not work. She passed away when I was eight years old. My wife came from a poor family. We are talking outdoor plumbing here. We get to the point where we buy that first building—this is not a substantial building by any means—and we move into that, and we do the best we can to fix that building up, to bring it on line. We buy the other building, and that second building has experienced substantial renovation. It is to the point now where we can probably afford to have people come in and do the necessary work. For a long time you cannot. You cannot have a plumber come in to fix a backed-up toilet. It is \$100 or \$150 to roll a truck; you cannot do it.

You reach a point where, all of a sudden, you think things are going to get better. That is what I am talking about, buying into that. If you work hard and you exercise industry and effort, you can aspire to something better. You do that for a long period of time and then you find out that the taxman comes, you have got the GST, we had a 10% increase in property taxes. Now, all of a sudden the properties are being devalued anywhere from 20% to 25%.

I might tell you too that these buildings are older. They are coming up on the century mark. One of them was built in 1897 and one of them in the first decade of this century. The building built in 1897 has had substantial renovations to it, but this year it is going to require a new roof on the back section of the building. It is probably going to require some foundation work because it is a brick foundation and it is just going to require some shoring up in certain places.

The heating system in that building is a hot-water heating system. That is an original boiler. The firing mechanism was probably installed—I do not know this for sure—some time in the 1940s or 1950s. For instance, if this, through some type of catastrophe were to freeze up and blow up or whatever, to replace that heating system is roughly \$40,000 to \$50,000. What I understand is that I am going to have to come up with that out-of-pocket cost and not be able to pass this cost on.

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The building has new electrical, new plumbing—all done by myself—new cabinet work, all kinds of things like that, but when we look at the cost of replacing the heating system, it is just beyond me. My equity has been devalued already. What do you want from me? I just cannot understand this type of legislation.

I really am not well organized here, and I am trying to just speak extemporaneously.

The Chair: You are doing very well.

Mr Latvanen: I guess, in summary, what I would like to say is that I thought the previous government was arrogant and a little unresponsive to the needs of the little guy. I guess what I am trying to say is that my wife and myself are little guys. I appreciate the opportunity to speak here because we are going to be hurt by this, there is no question. I do not have a retirement plan. Those buildings are my retirement plan. I would just like to speak to you about

what this gentleman said previously. I am not here to represent the corporate landlords. The media picks this stuff on fat cats and what not, but I would just like to say briefly too that the Bierbaums and the Zaifmans, the Siftons in this city and the Katzes are pretty decent landlords; they are pretty fair players and they actually are exemplary corporate citizens here. They have a genuine concern for this community.

Some talk about the retroactive stuff. I would just like to briefly speak to that too. If I were in that position, that would have just wiped me out. If I had one of those buildings where I had to make substantial renovations and had applied under the law to do so and then this happens, that is pernicious; I cannot understand that, where you would apply in something completely legal and then not be able to get it. Again, I am not capable of speaking to those issues, but I just want to pass an opinion for what it is worth here. I guess my frustration comes from the fact that the bill has the ability to depreciate the value of all the equity and industry that we have put into the properties. It does not allow for any circumstances beyond my control that might arise which would necessitate my passing through the costs to my tenants.

I have very good relations with all my tenants, by the way. I do not experience any vacancies in my property. I would like to suggest to you that that is not just through good luck. It is through hard work and long and irregular hours. If anybody has even owned a property, they know that is true.

When you get to the point where you think that you are going to see some light at the end of the tunnel in 10 or 15 years from now, all of a sudden this light is being shut out. I really do not know what my options are. I do not think I have a great many options. I am not an ideologue in terms of being a political activist. I just look for a workable middle and try to adapt it to that workable middle ground. Whether we get this from the left or from the right, it is not going to work. If we do not find the middle ground here then maybe it is time to pack my bags and go somewhere else. That is all I have to say.

[Applause]

The Chair: Order. There are no public demonstrations allowed.

Mr Mahoney: But we are informal.

Ms Harrington: First of all, I would like to laud you for your decision to invest way back in 1980. I think that was an excellent decision. It is certainly something that myself and my husband would like to do. I think there is nothing wrong with that. I would like to say to you, hang in there. You are doing all the right things. To clarify that, the government is not against you, okay?

Mr Mahoney: Well, that makes it all better.

Ms Harrington: Good, good.

Mr Latvanen: I want to say that I have been hanging in for eight years and just recently did I get my head above water. You aspire to better yourself—I guess maybe I better not comment on it. That is what makes me angry. I mean, "Hang in there." I have been hanging in. I have been hanging in very tough; 1982 was hanging in by your

fingernails. If I did not get another three months, I was toast at those interest rates coming due, toast.

Ms Harrington: I would like to say that we have all lost money in this real estate market in the last year. That is the way things are, but I believe that real estate is still a good investment, it is going to be for the next 10 years, for ever. We need landlords like you. I want to tell you this is interim legislation. Yesterday the minister announced, for landlords of older buildings, such as yourself, smaller landlords, that he is looking at, what, \$35 million for upgrading?

Mrs Y. O'Neill: It is \$15 million for upgrading.

Ms Harrington: So we would like to let you know about that. I believe Mr Winninger had something to say.

Mr Latvanen: I would like to speak to that, because I wanted to run a residential rehabilitation assistance program at one time and to get the banks to finance that cost me another \$20,000 out of pocket because they would not do the gap financing and this was contrary to the advice that I got from the RRAP people at that point in time. I have a mortgage document currently registered with RRAP that says face value—

Ms Harrington: This is a different program.

Mr Latvanen: I understand, but consider the time and effort. I cannot hire a lawyer to do this, as some people can afford to do. I have to take the time to go down there—and just the time to go through the process is amazing—and then they turn it around on you when you are halfway through it. So this is good, maybe, for some bigger people who can afford to hire people to do this.

Ms Harrington: You should go to Mr Winninger's office; he will help you.

Mr Latvanen: It is a difficult process to go through.

Mr Tilson: That is a relief.

Mr Mammoliti: Is there much time, Mr Chair?

The Chair: Not very much, but I am going to give you time for one question.

Mr Mammoliti: You said earlier that you invested in older apartments. Was it 1892 or something?

Mr Latvanen: It was 1897. The first building I bought was probably built some time in the first decade of this century.

Mr Mammoliti: I just have a hard time understanding why an investor would want to invest in something that may pose a problem to him later.

Mr Latvanen: George, let me put it this way. I was a tenant up until that time. I lived in that building and I bought it because it was the cheapest building in one of the most run-down areas of the city and I went and I lived there. The next building I moved to I bought in 1982, which was not a time to buy, but it was the only time that I was going to be able to buy that type of building.

Mr Mammoliti: But it was an old building.

Mr Latvanen: That is correct and it was in a run-down area of the city.

Mr Mammoliti: In the back of your mind, you must have assumed that something might go wrong in the future.

Mr Latvanen: I could not afford a house. I lived in that place with my wife.

Mr Mammoliti: But you could afford a building, not a house.

The Chair: Order.

Mr Latvanen: A building was cheaper because it has apartments in it—

The Chair: Is there a reason why no one wants to listen to the Chair?

Ms M. Ward: Nothing personal, I am sure.

Mr Latvanen: My apologies.

The Chair: No, I was speaking to everyone. Mrs O'Neill, then Mr Mahoney.

Mrs Y. O'Neill: Mr Latvanen, I am very glad you came before us. You are a young man with a young family and it looks like you have pulled yourself up from what were very humble beginnings to something that you can certainly be proud of.

I tried to explain to Mr Mammoliti that some people do find that if they invest, they can pay their debt and that is what you were doing. It is unfortunate that sometimes the other side of this table does not seem to understand that property can be an investment. You have indicated you have no pension plan that is indexed, which many people who have collective agreements do have, and you are being responsible in planning for your old age or indeed a case when you may be disabled; none of us knows that.

In your kinder moments you talked about being frustrated and when you gave your real feelings I think you talked about being angry. I do not know whether you heard about the announcement yesterday. It is an announcement that could perhaps help you, but you have explained why that would be difficult. I guess what I find very difficult about the announcement yesterday is that the criteria are very vague and that makes it even more difficult for you. I would like you just to tell me what you think particularly about the retroactivity of this as a principle of government.

Mr Latvanen: On principle, I just cannot condone that. It is not logical and it is not fair. That is what seems really obtuse to me here, the fact that the party that proposes this seems to have got in on the fact that it was not going to be arrogant, it was going to be reasonable and responsive and most of all it was going to be fair. For somebody to undertake something under the guidelines of the current law, to go through the process—and believe me, I know how arduous it is, I have done it on a small scale—it is a very arduous process to go through.

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Mrs Y. O'Neill: I know that.

Mr Latvanen: It takes a lot of time, it is extremely time-consuming and there are opportunity costs involved in that, whether it is with your family or whether it is with your current job or whatever it is, and for them not to get that, especially people like—there is all this bandied about, like, "These fat cats," but who are they? Name some names for me.

Mrs Y. O'Neill: Thank you very much. You have brought a very, very real experience to this committee and I think it is very valuable.

Mr Mahoney: Just very briefly, I do not think I have much time left, but you can see, by some of the questions, some of the difficulties we are having with this situation. Have you had any professional advice on how much your property may have been devalued as a result of just the announcement of Bill 4?

Mr Latvanen: Just what I have read and through talking to people. They are talking residential, they are saying 20% to 25%, but I do not know if that is true. We will have to see what happens if there are any transactions that occur that will support that. I have seen some properties come up for sale—not in this area, but I think it was the Hamilton area—and a lot of them went by power of sale. I am assuming those are the conditions that are mitigated by that.

Mr Mahoney: You are dealing with century-old buildings, in essence, and I would have to think that when you purchase something like that, ongoing maintenance would be of a concern and you would plan for that kind of thing on a regular basis. It would be important not to let them deteriorate, because they would fall apart more quickly, perhaps, than some of the newer buildings, although we have heard evidence of some shabbily constructed newer buildings and I am sure that is true, but I would think it would be important to do that. What is your feeling, if this bill goes through as is, about how you are going to treat these buildings as far as ongoing maintenance, and how are you going to afford to take care of them?

Mr Latvanen: I do not know. I have to really look at whether I want to continue to hold these properties. I mean, you live your life for 10 years for other people in the hopes of getting ahead a little bit and then, all of a sudden, you are going to say, "Well, you're going to have to hang in there for another 10 years or whatever." I am living my life for these other people who are enjoying the fruits of my labour and I do not get anything. It is my time, it is my money and there is an opportunity cost. There is an opportunity cost with your family. When they call at 12 o'clock at night you go over and you fix it. There is an opportunity cost to this for me.

Mrs Y. O'Neill: Real experiences.

Mr Turnbull: When you speak about possibly leaving Canada or leaving this province, I say to you it will be a great loss if we lose people like you because it is precisely people like you who make this province work. If we give in to the socialist pap which destroyed Britain for many years, we will find ourselves in the same mess.

Quite frankly, when I came to live in Canada, the first thing I did was to scrape enough money together for a very small deposit on a duplex, which I fixed and worked at myself exactly as you did. I think it is totally unreasonable for the NDP to suggest that you are a bad buy because you bought an old building, the suggestion that for anybody who owns an old building there should be no market for that building. You said it was the one you could afford and you worked away at fixing it up.

If we do not encourage people like you, we should not be encouraging anybody. We might as well close down the province and say we are out of business. Frankly, it makes me angry when I hear the kind of rubbish spoken by Mr Mammoliti. I apologize to you that in coming to this committee you would have that kind of—

Mr Mammoliti: A point of order: I do not consider anything I say here rubbish and I take offence to that word.

Mr Mahoney: I would like to second it.

Mr Abel: We should not get into name-calling.

Mr Mammoliti: Name-calling is not necessary here. We were called paps—

Mr Abel: Socialist pap.

The Chair: I will ask all members to try to address their concerns to Bill 4.

Mr Turnbull: Mr Latvanen, are you aware that when Bob Rae was interviewed last year before he was in power, he said: "You can't talk about rent review until you talk about the structure of ownership. You make it less profitable for people to own it. I would bring in a very rigid, tough system of rent review. Simply eliminate the exceptions and loopholes. There will be a huge squawk from the speculative community"—I do not think you are part of the speculative community, but you are squawking and I agree with you—"and you say to them, 'If you're unhappy, we'll buy you out'?"

To date, we see no suggestion from the NDP that it is going to buy you out. They have admitted that there needs to be some way of addressing capital costs and they say they are going to do it in the permanent legislation. Yet people who have gone out and borrowed money are being told retroactively that they cannot recover that money and they are going to be wiped out. This is what socialism does to this country.

The Chair: Our time has expired. Mr Latvanen, thank you for coming before the committee today. The Chair appreciated your comments and I am sure that all committee members did.

E. A. HOLDINGS

The Chair: The next presenter is E. A. Holdings, Joan Stevens. I think you have seen the procedure and you feel comfortable. We have allotted, it appears, 40 minutes for you.

Mrs Stevens: Forty? I was advised 20.

The Chair: It means we may have a coffee break, but if you have prepared for 20, then please let us work around your schedule. So you have 10 minutes for your presentation.

Mrs Stevens: I am here to urge you not to pass this legislation. The measures that you are proposing in this legislation are extreme. The retroactive nature of it assures the providers of rental accommodation no continuity and no reasonable protection. What is worse, we have been lumped with a few unsavoury persons in this industry who have done ridiculous or unnecessary things. Landlords are being portrayed as sleazy citizens and I resent this. I am not sleazy.

I am a small landlord with three buildings and a total of 69 rental units. These buildings were purchased to provide my husband and myself with a retirement income because we have no pension. The buildings are 25 to 30 years old. We have owned two of them for 17 years and one for seven years. They are not luxury accommodation. The buildings are older walkups and a small high-rise. There is no carpet in the halls, there are no pools and no tennis courts.

My tenants are ordinary working people, retired women or single professionals. The rent is affordable: \$340 to \$385 monthly for a single-bedroom; \$400 to \$426 monthly for a two-bedroom. There is nothing fancy in the service we provide: basic accommodation, laundry facilities and parking. Our goal is to provide decent accommodation in a clean and quiet building.

We have lived with rent review since it started in 1975. In the beginning we believed it was temporary. We looked at capital cost expenditures and postponed them with the thought that it would not be too long before the legislation was revoked and we could do the work. The repairs can be postponed, but eventually the time comes when the work must be done.

In 1989 I looked at all my buildings and decided I would have to go to rent review to obtain the funding to do the repairs. We were simply losing ground. I took one building to rent review in 1989. I have been very pleased with the results. The turnover rate of tenants decreased from 35% yearly to 10% yearly. We were able to plan our repairs, rather than run around the building spreading out our resources patching and fixing. My tenants are happy. The cost to the tenants was an increase of 13%.

The second building I took to rent review in 1990. I was awarded a rent increase of 10.6% to be effective 1 October 1990. This is in limbo at the moment. Again, the repairs have solved a lot of problems and concerns and have made it easier for my superintendents, my tenants and myself. The third building requires approximately \$75,000 worth of work. If I cannot finance the repairs, I will simply have to postpone them further.

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The proposed legislation will affect the tenants in the building I took to rent review in 1989 by cancelling the equalization schedule for the 1991 rent adjustments. This is resulting in unfair rental rates for my tenants. It does not affect my gross revenue. Some tenants will be paying as much as \$108 yearly for the same unit as their neighbour. I believe that tenants have a right to expect their government to aim for equity, rather than support inequity and unjust subsidization.

The building that I took in 1990 has had the rent increase put in limbo. Should this legislation be enacted, it will have profound implications for myself and the tenants in the building. May I point out that this application was done under the tightened regulations of the Rental Housing Protection Act of May 1990.

The tenants had full disclosure before and during the renovations. There was a meeting arranged with them. They signed for in-suite repairs. They had an opportunity to protest to the Rent Review Hearings Board and to appeal the

rent review order. In fact I found the tenants to be supportive of the repairs. None of them appealed or contested the repairs. Some of them told me that they hoped I would get the increase because their rent was too low.

The repairs were not unreasonable. Most of them were safety oriented: permanent lighting in dark common areas, drainage to keep the laundry area floor dry, new treads on exterior steps, a backflow preventer, in-suite smoke detectors, employee safety and relevelling a floor that had settled. Some of the repairs were to solve ongoing maintenance problems: hall flooring that continued to lift; common area and exterior painting; driveway repairs and lighting.

Should this legislation be proclaimed, the tenants will find that the level of maintenance will have to decline and I will have to cancel the planned replacement of kitchen counters and bathroom sinks that I had hoped to be able to do over the next five years at no cost to the tenants. The tenants are going to be the ultimate losers. Their homes will be less attractive and less modern. They will have to apologize to their friends for the sorry state of their homes.

I will have real difficulties with regard to the cash flow of this building. I have borrowed \$40,000 to do the repairs. The bank will not cancel the debt because the government changes. If I do not have the funds, expenses will have to be cut. I cannot forget the loan. All the maintenance for the building will have to be reviewed and cost-slashed. After 15 years of rent review, there is not a lot of room left to eliminate costs.

One of my bigger concerns is that if a true emergency happens—the boiler breaks in midwinter, the roof starts leaking, the heat pipes require major repairs—I will no longer have the confidence of the bank. I will no longer be considered a good risk. I will not be able to raise the required funds. Where will my tenants be then?

As I mentioned earlier, my third building is in need of some repairs: the roof, heating system, replacing Thermopane windows, living room flooring. I planned to incorporate adding insulation into the roof with the renovations here to help Ontario reduce hydro consumption. It is a sad fact that socially irresponsible hydro consumption will increase rents. Conservation measures cannot be funded. From the exterior, the building looks okay, but if some of these problems are not addressed it will slowly proceed downhill until the cost of repairing it is too great and it will become a slum.

One of the great needs of the poor in Ontario is affordable housing. There are many small landlords like us who are providing this housing. I believe we are doing a good job. If it is the choice of the government to have rent review, then landlords have a real need to be able to maintain the buildings and to be dealt with fairly. If the minister wants to protect tenants from 60% to 80% increases, speculations and flips, may I suggest that he is using a bomb to kill a fly. The measures are out of perspective with the reality.

I cannot agree with the basic nature of this legislation. I have followed the law from the beginning. I have done, step by step, what was required. The law, by awarding me the increase, has said, "Yes, that is what should have been

done." There is something basically very wrong with a system that supports and encourages people to invest in a business and then arbitrarily retroactively changes that law and leaves the business with unserviced debt. I urge you to revoke this legislation.

Mr Mahoney: Thank you very much, Mrs Stevens, for that presentation. Certainly some of us on this committee agree wholeheartedly with your sense of frustration and outrage, particularly at the retroactivity aspect of it. I have asked this question of other folks and have yet to hear an answer that would explain how this has happened, but tenant groups have come before us and suggested that Bill 4 is just a panacea to all their problems and is going to solve all their problems. Yet we have heard from people like yourself who indicate that it is your feeling that tenants will suffer.

Is there anything in this bill that you can see that addresses anything other than a moratorium on rent increases? I refer primarily to methods that tenant groups might be able to use to force a landlord to do certain work or make certain repairs. Is there anything there that you see?

Mrs Stevens: I do not think the legislation addresses this. The changes to the rent review act in May 1990 certainly gave the tenants a great deal of power to refuse any changes within their suites, and if that is the way they want it, fine. My position is that my rents are very low. They are bargain basement rents, really. Seventeen years ago I would have four or five cars in my parking lot; now we have arguments because we have 20. They do not like my flooring so they all lay wall-to-wall carpets and my big problem is getting them not to have the carpets nailed down. They are quite willing to nail down carpets because it is just \$1,000 or a couple of thousand dollars for carpets for your apartment. When you are paying \$400 a month, that is peanuts, you know. You can afford these things.

This bill might address the problems for some of the tenants who have landlords who have been flipping and doing all kinds of things, but it is not addressing the problems for a building such as mine where there is stable ownership, stable rents, just a very stable situation. I understand that is the majority of units in this province.

Mr Mahoney: Do you budget a certain percentage of your total revenue for ongoing annual maintenance?

Mrs Stevens: Yes.

Mr Mahoney: Could you tell me what that would be?

Mrs Stevens: Do you mean in terms of capital cost or just general maintenance?

Mr Mahoney: General maintenance is an area that I think I am particularly interested in; how you take care of the building on an ongoing basis.

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Mrs Stevens: I am paying out about 14% or 15% of revenues. Just for maintenance.

Mr Mahoney: Do you see that changing if this bill comes into effect?

Mrs Stevens: I have \$40,000 worth of debt to reduce.

Mr Mahoney: That is the only place you can see getting it?

Mrs Stevens: I cannot cut municipal taxes. I cannot cut heat. I cannot cut the mortgage payments. I cannot cut the superintendent's salary; he is not going to be happy. Where else do I have room to cut other than maintenance?

Mr Mahoney: So the reality is that as a result of your being forced into a corner and having to cut back on maintenance, the result of this bill is that it does exactly the opposite of what the government has led the tenants' associations to believe: that is, it creates a situation where the maintenance will reduce and the tenants' lifestyles will be reduced as well. Would you agree with that?

Mrs Stevens: How can you reduce somebody's lifestyle if he is making \$40,000 a year and paying \$5,000 for rent?

Mr Mahoney: The quality of life in your buildings is what I am saying. It will be reduced?

Mrs Stevens: Oh, certainly. The people with counters, where the counters are all cut and burned, are going to be left with them unless they care to replace them themselves.

Mr Mahoney: Sure. Thanks very much.

Mr Tilson: Of course, the government will say that you are getting lots of money.

Mrs Stevens: Just ask me.

Mr Tilson: I am on your side, remember, as far as this issue is concerned, because there are obviously examples that we have heard, in Toronto specifically, where there have been great abuses by landlords. There have been some terrible, terrible situations where tenants are being put in unbelievable positions.

Mrs Stevens: My heart goes out to them, because I think that is unfair.

Mr Tilson: Mine too. I am going to ask you the same type of question as far as the city of London is concerned.

Mrs Stevens: Some of these buildings are in the city of Woodstock too.

Mr Tilson: I do not know how much knowledge you have of this area. If you do not know, then I am sure you will tell me. But I look at the problems we have heard of tenants in the city of Toronto and those problems are real. I am not familiar with the London press, but certainly I follow the Toronto press and these problems are real. I am not so sure they are as widespread as the government is alleging, with the flipping and the marble foyers and all that sort of thing; I think that is a massive exaggeration.

I would like you to give me your thoughts specifically as to whether you think the same type of landlord-tenant problems, abuses by landlords, exist in the city of London and surroundings area that may exist in some areas of Toronto?

Mrs Stevens: Not to my knowledge. There may be an isolated case, but by and large I think the relationship is very satisfactory between landlords and tenants and I think there are a lot of responsible landlords who are doing reasonable things.

I wish to point out that the repairs I did were not unreasonable. They were things that had to be done. It was a list that started out as a small list and as time went on it grew larger and larger because it is an old building. If anyone has a house that is 20 years old, you know that things break. The list gets longer after a while and eventually they have to be addressed. I do not think that London landlords are unreasonable and I certainly do not see a lot of press about it.

Mr Tilson: Mr Rae has stated publicly—and it has not been denied in the House, because I asked him in the House—the policy of the government is to buy out private enterprise. That statement has been made by the Premier and it has not been denied. I think that is exactly what his plan is, although I do not know how much he is going to try and devalue the value of your property to make that move.

I would like to ask another question.

Mrs Stevens: I will see it rot first.

Mr Tilson: I am sure you will. That is the concern that the members of our party have and that I think the members of the opposition have. We do not want to see slums around this province.

Mrs Stevens: And I do not wish to do this to my tenants, because my tenants are decent people.

Mr Tilson: I will ask a question with respect to general maintenance. My understanding is that with respect to normal maintenance, of the accepted guideline increase over the present current rent review provision, 1% of that 1.6% has been allowed for normal maintenance.

Mrs Stevens: Yes.

Mr Tilson: Can you tell me with respect to your building or buildings—I do not know whether you have several or not—how much money that means based on your rental income?

Mrs Stevens: One per cent.

Mr Tilson: To properly maintain your buildings.

Mrs Stevens: One per cent of my rental income on a yearly basis is \$1,100.

Mr Tilson: There is the answer.

Ms Harrington: Mr Tilson has just mentioned that we would agree there are real problems in this province. There are some landlords, Mrs Stevens, who are not like you. I think you will understand.

Mrs Stevens: A minority, a very small minority.

Ms Harrington: This is the situation we are attempting to deal with. I put it to you that apartment units are not just investments but are homes, and I think you will realize that.

Mrs Stevens: I stated it.

Ms Harrington: This is the whole problem. We want an attitude that homes are very important to people, and in many cases apartment units are looked at as strictly investments.

Mrs Stevens: Could I point out to you that you did not declare a moratorium on increases over 20% or over 50%; you declared a moratorium on all increases over the guideline.

Ms Harrington: That is right.

Mrs Stevens: So you are lumping everyone in the same sleazebag as a few people who have put marble in their foyer, and I do not like that.

Ms Harrington: The problem you have brought forward is one of the capital costs that are passed through. The answer I am trying to give to you and to everyone, and to explain very clearly, is that capital costs, we understand from talking to a lot of different landlords, are something we will have to deal with. We are a new government and what we are attempting to do is bring together the landlords and tenants to stop some of the abuses and problems that have been evident in the past. We want to take your concerns back with us. That is why we are here. We want to deal with that problem, if you will accept that.

Mrs Stevens: I would certainly hope so, because these people want homes they can be proud of.

Ms Harrington: I entirely agree.

Mrs Stevens: If you take hall flooring that is lifting—every week it is a different tile—and you replace it with new flooring that will take a good finish, and their friends walk in and they say, “Gee, this is lovely,” they are proud. Their friends say they are living in a nice place, and that matters to people. If you eliminate capital costs and if you deny landlords the ability to raise funds for capital cost funding things, then you have done the people who rent accommodation in this province a great disservice, and this is what this moratorium is doing.

Ms Harrington: I just wanted to clarify to you that this particular moratorium we are discussing, which is Bill 4, is interim legislation, and we are trying to establish with you today and in the following months, as quickly as we can, something that will address the problems.

Mrs Stevens: I understood that this hearing was to address Bill 4 and that you were having other hearings to address the others.

Ms Harrington: That is right, as soon as we possibly can.

Mrs Stevens: So you are addressing Bill 4 today, are you not?

Ms Harrington: That is right. I just wanted to assure you that we want to work with you.

Mrs Stevens: I hope so, because what you are doing is absolutely dreadful.

The Chair: Mr Winninger, if you can make it very brief, I will allow one last question.

Mr Winninger: I gather that if capital costs were factored into the increases that landlords would seek under a revised Bill 4, you would not be averse if there were some kind of cap on that.

Mrs Stevens: What kind of cap? What do you mean by cap?

Mr Winninger: You said we are not directing this legislation at increases over 20%, that it is at all increases. What do you think is the notional kind of rental increase that an average tenant can bear in one year in your buildings?

Mrs Stevens: In my buildings? Some of my people are on very fixed incomes. I would say upwards of anywhere from 10% to 20%, looking at the reality of what you have to do. You are looking at 15 years of neglect.

Mr Winninger: These people on fixed incomes, would they include pensioners?

The Chair: Order. I allowed an extra question. I allowed more time for it. Mrs Stevens, I want to thank you very much for coming to speak to the committee today. We appreciated your representation.

1540

SANDRA MATTHEW

The Chair: We are going to move right along. Sandra Matthew is here. You have 10 minutes for your oral presentation and we will reserve 10 minutes for questions.

Ms Matthew: My name is Sandra Matthew and I am a tenant. For the past six years I have been a resident tenant of a 56-unit apartment building at 1000 Huron Street, London. Also, for the past five years I have been employed as building superintendent at 1000 Huron Street, a position which at times is extremely hard work, but none the less a position which I do not wish to lose.

There are various reasons why I enjoy living in my apartment building. For example, it is my choice of home; my rent is affordable and, incidentally, inclusive of all utilities, and my fellow tenants, all of whom I know personally, and my landlord, who is also my employer, are all decent, caring, concerned, approachable people.

As both a tenant and a superintendent, I am made increasingly aware of the fact that the situation in my building is not one of us, the tenants, against them, the management. Neither is it a game of cops and robbers or cowboys and Indians. The situation is such that we consider ourselves to be one large family. We all get along extremely well together, we eagerly help each other and none of us are kept in the dark with regard to any situation involving our building, which I should add is approximately 23 years old.

Speaking before this panel is one of the most difficult things I have ever undertaken in my life, but you see, there are many, many satisfied tenants who would not dream of taking a day off work to come here today. However, after listening to the battery of detrimental remarks and slurs, if you like, hurled at many of Ontario's landlords by the Rae government, I am incensed. In fact, the Rae government provided me with the determination to come here today to set the record straight.

I was a proud and willing participant in a rally which was held at Queen's Park on 11 December 1990. I teamed up with a multitude of other tenants, landlords, tradespeople, superintendents and construction workers to protest the Rae government's disregard of Ontarians and the introduction of the so-called fair policies with regard to rental accommodation. Our rally was tremendously successful and absolutely peaceful. However, while travelling home on the bus, myself and the other passengers, also participants in the rally, heard a brief newscast. Some lady who announced that she was involved with a Toronto tenants'

association could be heard saying that our rally had been a put-up job by the landlords. Now, I have never met this woman; I do not even know her name or what she looks like, but what I do know is that she lied. I am tired of lies and I could suggest that maybe someone was pulling her strings, but I will not.

Over the past few weeks, I have intermittently listened to the panel's ongoing discussions on rental housing policies on television and I feel the necessity to inform the panel that I for one have absolutely no intention of sitting back and allowing my home to be turned into a garbage dump because of what I believe to be the Rae government's criminal treatment of many landlords in Ontario, landlords who have acted according to the letter of the law and because of this now find themselves plummeted into financial limbo, my landlord included.

Early last year, after many lengthy landlord and tenant discussions concerning ongoing building repairs, all tenants in my building, including myself, were informed by the landlord that major capital expenditures would be undertaken beginning in late March 1990 and continuing during the course of the summer of 1990, and upon completion of the work, an application to recover the massive costs of such a project by raising rents over and above the suggested guideline would be submitted to rent review services.

Those capital expenditures consisted of a necessary new roof—the old one had been patched on many occasions—necessary insulation and vast amounts of drywall installed in the majority of apartments; necessary carpeting, kitchen counters and faucets, bathroom wash basins and faucets and tub faucets in all apartments; necessary carpets installed in three hallways; necessary flooring in the main lobby and the stairways; and necessary replacement sidewalks. Also necessary was an awesome amount of organization to ensure that this work could be carried out as quickly, quietly and cleanly as possible, with the minimum amount of inconvenience to the tenants of each of our 56 occupied units.

The landlord, the tenants, including myself, and the tradespeople all worked as a team and by the end of the summer of 1990 all work had been completed to the satisfaction of the landlord and tenants alike. Our hectic, organized chaos had paid off. Peace, quiet, cleanliness and firm structure was restored to 1000 Huron Street. Our landlord then submitted all of the documents which were required by law to rent review services. We, the tenants, believed that all we had to do was wait for the decision stating that the actual amount of rent chargeable for each individual apartment was whatever it was.

Having been a home owner myself, I know only too well the costs incurred in maintaining even a single-family dwelling, as do many of my neighbours. On 1 October 1990, every tenant in my building was notified in writing of a pending application to establish maximum rents. Every tenant was given the opportunity to view a detailed list of proposed rents, which was available to them in my apartment between the hours of 9 am and 5 pm on a daily basis. Every tenant was given 45 days in which to dispute the submissions by visiting the local rent review office and

filing grievance, so to speak. Not one tenant in our building disputed anything. How do I know this? I approached rent review services and I asked.

The Rae government made a decision to change the existing laws and then, to add insult to injury, it decided to change those laws retroactive to 1 October 1990. What a bloody bombshell. Such actions must warrant a lawsuit. However, that would be another matter. Suddenly, I found myself witnessing sensationalism concerning greedy landlords and gouging. I had to listen to tales of woe concerning poor tenants whose rent had been increased by 100% and 150%. Nobody ever did tell me 100% of what initial amount and 150% of what initial amount—maybe \$40, maybe \$100. Sensationalism was the correct choice of word.

I found myself listening to standard questions from some members of the panel, questions such as, "Do you care?" and, "How many people have suffered economic eviction from your building?" Well, I care. That is one of the reasons for my being here and no one in our building has been priced out. I should not overlook the old faithful statement, "We disagree on many points." I know for a fact that we disagree on almost every issue. That is another reason why I have chosen to speak to you today. Hopefully, someone will listen to me—I mean, really, really listen—and set aside any further notions of trying to shaft us.

Our building, as I informed you earlier, is my home. It is warm and friendly, clean and comfortable. It is beautifully maintained and free of vermin. As a matter of fact, I have never seen a cockroach and I really do not feel deprived. My fellow tenants and myself are proud to have our friends and relatives visit us at 1000 Huron Street, although right now we have a huge cloud hanging over our heads.

Will the institution which financed the necessary replacements in our homes go power of sale, courtesy of the Rae government? Will our landlord who has worked so diligently, a person we all admire and respect, be forced to sell, courtesy of the Rae government? Will we ever again receive the kind of care and consideration we have become accustomed to, should our homes be placed in the hands of some stranger, courtesy of the Rae government?

We are very concerned and anxious people. We could move to another apartment building which is in fairly close proximity to 1000 Huron Street. We could all go together tonight. We would definitely be given the bare essentials, we would definitely pay a lesser rent and we would definitely know that our new living quarters lowered the tone of the area. Is there any Rae of hope for us?

You know, it would not hurt the Rae government to remember, as representatives of the public, just how lucky they are to have a fairly significant standing in the community at the moment. However, faith is fast failing and I would urge the party not to underestimate either the intelligence or the organizational skills of tenants. Some of you are probably saying to yourselves, "This is just her opinion." Well, please be advised that it is also the opinion of 86% of the tenants of 1000 Huron Street.

On that note I would like to read to you a petition, a copy of which was forwarded to Bob Rae and copies of which are available to the panel at this time. This petition contains signatures of 86% of the tenants of 1000 Huron Street. It is dated 10 December 1990 and it is headed: "For the attention of Bob Rae."

"We, the undersigned, are tenants of a 56-unit apartment building at 1000 Huron Street, London, Ontario. Our landlord has continually strived to give us good rented accommodation at a fair price. Two years ago, when our parking lot became congested, our landlord decided to enlarge it for our benefit, at his own expense. We are entitled to one parking space per unit according to our lease. However, he provided the extra space, which we now use for our second vehicles and our visitors' vehicles, without hesitation.

"We recently had the leaky roof replaced, new carpets installed in all apartments, new countertops and taps, new hall carpets and a beautiful new lobby. All of this work was carried out in a proper and legal fashion.

"All tenants in our building were agreeable to a 17% increase in rent, which our landlord legitimately applied for. We were all given written notification from the Ministry of Housing informing us that we had 45 days in which to dispute the suggested increase, but we all knew that we had nothing to dispute because every replacement in our building had been a necessary replacement. Not one of us baulked.

"We are now led to understand that you, sir, are not going to grant our landlord his increase in rent and we would suggest that you rethink this decision. As tenants we are concerned that (a) our landlord may be forced into selling our building to someone who will not look after us as well as he does, and (b) the level of care and consideration which we have received in the past will greatly deteriorate because our landlord cannot get a decent return on his investment. Your flagrant disregard of our wants and needs leaves us no alternative but to demand that you turn your attention away from landlords and tenants, because you obviously know nothing about this situation. In short, don't call us, we'll call you."

Thank you.

1550

Mr Turnbull: Ms Matthew, thank you very much for an excellent presentation. In any respect, has the landlord coerced you to come along here and speak today?

Ms Matthew: Up until the morning, the landlord did not even know that I was going to ask him for the day off work.

Mr Turnbull: I saw on television last night that there was somebody at the demonstration you spoke about at Queen's Park who said the landlord had in some way coerced him and had bused him down. Would you say that was typical of the people there? I know you have already answered it, but I want to underline this fact.

Ms Matthew: That is a bunch of garbage.

Mr Turnbull: What do you think of the idea of becoming a civil servant, Ms Matthew?

Ms Matthew: If the money is good I might consider it, but it would have to be damned good to take me out of my own building where my own tenants and where my own landlord are.

Mr Turnbull: I think Mr Rae intends to make you into a civil servant.

Ms Matthew: He has no hope.

Mr Turnbull: He wants to change the structure of ownership. He said we need a government program of purchase and he has already said he wants to drive down the price. That would, de facto, make you a civil servant, if they buy out the building. What do you think about that idea?

Ms Matthew: I wish we could go back quite a few months when none of us had ever heard of Bob Rae and just put matters right again.

Mr Mahoney: Heck of an idea.

Mr Turnbull: In terms of the renovations that were undertaken in your building, were any of them of a luxury nature?

Ms Matthew: Nothing whatsoever. We have 56 units and, as I said, the building is approximately 23 years old. It could be a year older or a year younger. It is a beautifully maintained building. There are constant ongoing repairs. There was absolutely nothing of any luxurious nature undertaken during the capital expenditures through the summer of 1990. All work that was carried out was absolutely essential work.

Mr Turnbull: Let me get your opinion on this last point. First of all, the retroactive nature with respect to the pass-through of capital costs is something we have heard a lot of testimony about, how it is going to hurt people. The reaction of the NDP, you have heard it today, is, "Oh, well, the permanent legislation will address that." But in the meantime, we have the carnage of small landlords who are going to be driven into bankruptcy and they will be gone. How would you react to that?

Ms Matthew: I think what is happening with Bill 4, this retroactivity, is sick. It is sad, it really is. Whoever thinks he or she put a lot of thought into this retroactivity was not thinking at all. They obviously have absolutely no idea just how many small businessmen and small landlords it is going to cripple and how many tenants it is going to cripple at the same time, because we have standards too. We have minds. We know what we want and I want my home in 1000 Huron Street. But with my boss having his hands tied behind his back because he cannot get his money due to this retroactivity, I might lose my home, unless of course Bob Rae wants to pay the loans or the mortgage or whatever.

Mr Winninger: I have no quarrel personally with agreements between landlords and tenants to effect necessary capital repairs. I do have two areas of concern, however. First of all, are any of your tenants here today?

Ms Matthew: They would have been tuned in to channel 31, the legislative channel on TV, but apparently there is no TV here today. Somebody did ask me to ask if maybe our words were being screened.

Mr Winninger: Did you draft that petition for them to sign?

Ms Matthew: No, I did not. It was a joint effort.

Mr Winninger: How long has your owner owned your building?

Ms Matthew: He owned the building long before I became a tenant or superintendent there.

Mr Winninger: Do you know how long?

Ms Matthew: I think approximately 10 years.

Mr Winninger: Does it strike you as a bit strange that an owner of a 56-unit building, who has owned it for 10 years, cannot put on a new roof staying within the statutory increase level?

Ms Matthew: No, it does not. Do you realize how large the roof is on a 56-unit apartment building? Do you realize how much it costs? Do you realize that it is very difficult for a person to go into his pocket and pull out \$75,000 and say, "Hey, go on, put me a new roof on"?

Mr Winninger: Can that not be amortized over many years?

Ms Matthew: Yes, it can with the help of capital expenditures. A new roof has a life expectancy of approximately 15 to 20 years.

Mr Winninger: You enjoy a subsidized rent, do you not?

Ms Matthew: Subsidized in which way?

Mr Winninger: Do you pay a reduced rent because you are the superintendent?

Ms Matthew: I do not. I pay rent at the same level as every other tenant pays rent.

Mrs Y. O'Neill: Ms Matthew, thank you very much for coming. You understand Bill 4. I am not sure that all the tenants in this province do understand Bill 4. You know its limitations. You know things that you can expect as a result of Bill 4. For that I commend you. You have been very clear. You are committed and I thank you for that.

Ms Matthew: My heart is in my mouth. I hated doing this today. I have never spoken in public before.

Mrs Y. O'Neill: You are doing a very good job. I would like to tell you that the petition you presented to this committee could be presented in the Legislature in a formal way. If you present it to your MPP—I do not know who your MPP is—he then has to present it in the Legislature, whether he agrees with it or does not agree with it.

You are talking now about being a superintendent in a building. We have not heard from a superintendent in a building. This is a group of employees that I think will be greatly affected. Sometimes, as in your case, there are one or two people in a building. I think you have brought a new insight for another group of people, another group of employees, people who do not have a lot of protection but who certainly are serving their communities. You are bringing to our attention that these people too will be affected by Bill 4.

I would like you to say one more thing, about how you feel about one part of this philosophy, that we build

reserve funds for capital improvements. I think Mr Winninger's question was somewhat along these lines, that people should be able to plan, that if your landlord had been responsible, he would not have to worry about the \$75,000 for the roof. Do you have something to say about that?

Ms Matthew: My landlord is a very responsible man. So are the majority of landlords, not just in London but in the entirety of Ontario. To have ongoing repairs taken care of promptly and properly in a building costs a lot of money. The 1% is no good. It just does not touch anything. Rents in general are taken up, all but a very small amount, in the general running of the building and in the general maintenance of the building and a few little added extras. After people have taken the wage out of that and paid the insurance, there is next to nothing left. A lot of landlords claim rent in the red.

Mrs Y. O'Neill: Municipal taxes.

Ms Matthew: Yes, for a lot of times. But they hang in there because they think one day they are going to be in the black. To expect the landlord, no matter what size, to be able to pull money out to cover things such as we did this summer—a roof, 56 carpets of 300 square feet each, 56 countertops, 56 sets of deck sets, 56 vanity wash basins, 56 sets of vanity taps, 56 sets of tub taps, three huge hall carpets 200 feet by five feet, new flooring throughout a huge lobby, new flooring throughout two landing areas, stairways—no man is going to be able to pull that kind of money out of his pocket at a moment's notice and say: "Yes, I can cover that. Don't you worry about it."

Mrs Y. O'Neill: Yet in many cases it is much more cost-effective to do that all at once than piece by piece.

Ms Matthews: Yes, it is. That is why capital expenditures come into play. He is not asking for the hundreds of thousands of dollars it costs all at once. He is asking for all of these just to be taken into consideration and amortized over a period of years.

We were absolutely thrilled that all we were going to have to pay was 17% increase in rent. We could have been asked for a lot more, but we were not.

The Chair: I am sorry. Time has expired. Thank you for coming before us.

1600

CARLTON GROUP

The Chair: The last presenter today is John Gleason, the Carlton Group. Mr Gleason would please come forward. My understanding is that you have been allotted 20 minutes, Mr Gleason, 10 minutes for your presentation. I think you know the procedure.

Mr Gleason: That is right. I am here today representing the interests of the Carlton Group. We are a medium-sized fee management company, with a current portfolio comprising commercial, retail, office, industrial, condominium and residential apartments and town houses.

At Carlton we have one common goal, which is foremost in our management of real estate, to increase the value of each client's investment. We achieve this by ensuring that the property is properly maintained, providing

progressive marketing and ensuring tenant needs are properly addressed. We have no problem achieving our goals at the condominium and commercial properties, but we are finding it increasingly difficult to achieve these goals at the residential properties.

At present we are still continuing to complete minor maintenance repairs for our tenants. However, with the pending legislation on the horizon, it will mean we will have to take a serious look at redefining what minor maintenance is. With revenues shrinking each year, the only way to maintain a respectable bottom line is to cut expenses. As taxes have increased 11%, hydro 15% and water 14% for 1991, the only expense area that we have reasonable control over is maintenance.

Our company has spent the last six months assessing and costing the capital requirements for all the residential properties we are involved with. The work required ranged from roof replacement to parking deck repairs, and included plumbing and electrical upgrading, window repairs and replacement and balcony repairs. This work, we felt, would ensure the longevity of the building's physical structure, reduce energy consumption and ensure the tenants continue to live in a safe and comfortable surrounding. The majority of this work was going to be performed on buildings that were constructed before 1975. The total cost of the work was \$4,973,853.

I say "was," because this work is now on hold. We cannot recommend to our investors to spend this money with the uncertainty that currently exists regarding Bill 4. If legislation does pass in the form indicated, which is a single, fixed annual guideline for rent increases based on inflation and the elimination of both cost pass-through and financial loss, it will make owners feel even less anxious to spend.

For us to recommend starting the capital work, the very least we need is a clear and immediate commitment from the government that there will be no changes to the current capital expenditure recovery rules. Until we get these assurances, our only alternative will be to continue patching where we were going to replace and update.

I would like to bring to the attention of the committee a poll conducted by Elliot Research of some 2,000 tenants, which found that 74% indicated they were concerned that the building in which they lived would deteriorate if there were no incentives for landlords to maintain or improve their property. Is the government aware of these tenants' concerns? Can it give these people any assurances that property will not deteriorate as a result of the pending legislation?

Our company has always abided by the rules and regulations of the legislation as it has existed over the years in its various forms. We have dotted the i's, crossed the t's and filled out the countless forms requested by the ministry to satisfy its requirements and meet its deadlines, and then we have sat and waited for it to review the information and hand out decisions, with no commitment of a deadline.

Now, to mix things up even further, the government is going to implement new legislation retroactively, when there are still outstanding issues relating to the current set

of rules; for example, the rent registry. What ever happened to it? We filed our rents for the registry system by May 1987, as the government asked. It in turn was to advise landlords and tenants whether or not the registered rents were lawful. To date, our company has only received notice to justify rents for 129 out of 2,200 apartments. What is the current government going to do with the information already filed?

If the government wants to see what effect rent controls have had, it need look no farther than New York, London and Paris. Here, whole areas of the city are full of abandoned, rotting houses that would have lasted for centuries except for the implementation of rent controls.

Economics, the fifth edition, by Lipsey, Purvis and Steiner is a text used at the University of Western Ontario. In it the authors dedicated several pages to the issue of rent controls and how ineffective they are. The authors stated the following about the effect of rent controls:

"(1) There will be a housing shortage in the sense that quantity demand will exceed quantity supplied. (2) The actual quantity of accommodation will be less than if free market rents had been charged. (3) The shortage will lead to alternative allocation schemes...or the government may intervene."

I would like to know, as I am sure others would too, if it has been proven elsewhere and is part of a case study in economics, why the government persists in telling the taxpayers of this province rent controls are working? As the committee is no doubt aware, our Premier, Mr Rae, studied at the London School of Economics. How can he think continued controls are the answer to the current housing crisis? If rent control is working, show us where.

I am sure you are also aware of the decrease in vacancies in Ontario from 4% in 1973 to 0.08% last year. When rent controls were introduced in 1975, investors indicated that there would be a slowdown in rental apartment construction. For the province, their predictions have come true. Unfortunately, for the truly needy of the province, the availability of units go to those who can afford higher-priced units or single-family homes.

Numerous articles indicate that upwards of 43,000 families are waiting for assisted housing. Why not let those who know how to build and operate rental housing alleviate this backlog for the government and ensure that those who need housing receive it, by getting rid of rent controls and replacing them with shelter allowances for the truly needy? At least let the private sector help in resolving this problem.

Further, can the government give assurances to the banks and lending institutions that the pending legislation will not affect further loans for residential apartment owners? A recent internal memo from a major mortgage lender stated: "The traditional 1.20 debt coverage loan using a 5% vacancy, etc., should only apply where the location, physical product, leasing, ownership and management are of the highest quality and order. Everything gets marked down or beat up from there. Five per cent vacancy will be the minimum for the highest credits. Mas and pas will be assessed 10% to 15% and maybe higher dependent on the project.

Small-town projects and rent rolls will be assessed even harder and so may the overall debt cover requirements."

The importance of proper maintenance and upkeep of a building is made very clear in this memo, as is the fact that the small landlords, the mas and the pas, who in many cases have purchased buildings for retirement, will find it difficult to finance their property.

An editorial in the Financial Post dated 22 August 1990 stated: "The uncertainty caused by frequent changes in rent review regulations further reduces the investment appeal of rental housing. Landlords and potential landlords invest elsewhere. Rent controls do not work. They should be phased out."

Our company echoes these sentiments and our investors are looking for other places to put their money even as we speak. Not that there is not available product on the market to purchase, but rather they feel more comfortable in choosing other alternatives such as commercial properties and, for some, out-of-province or US real estate.

I ask that the committee listen to the people who have made presentations on behalf of building owners. If you cannot assure them that their current investments are safe and future apartment projects will be profitable, be prepared for potential investment dollars destined for multi-residential markets to go elsewhere and perhaps be lost for ever.

Ms M. Ward: Mr Gleason, tell me a little bit more about your organization. I did not catch it at first.

Mr Gleason: Property managers in the city of London. We manage 2,200 residential apartments.

Ms M. Ward: Are the owners local people?

Mr Gleason: Yes, they are all local people who have bought the property to use as an investment, the ma-and-pa operations so to speak.

Ms M. Ward: They would be people who were not necessarily very much involved in the operation. You take over the operation, the management, completely?

Mr Gleason: Yes, we do.

Ms M. Ward: So they are not in contact with their clients to any large degree.

Mr Gleason: That is correct.

Ms M. Ward: What would be the average rent increase that you have received in those buildings, say, over the last couple of years?

Mr Gleason: We have only taken the guideline amounts on all properties.

1610

Ms M. Ward: So what is your concern at the moment, then, if you have been able to manage successfully with the guideline increase? Why are you concerned at the moment that you are going to be limited to the guideline increase in the next little while?

Mr Gleason: Because we have been limiting our rent increase to the guideline amount, we have totalled \$4.973 million worth of capital costs that are now waiting to be done at all the properties. We have gone to rent review on some properties and have been able to set a higher maximum

rent, but the current conditions will only allow us to give the guideline amounts, thus reducing our cash flow.

Ms M. Ward: Because of the vacancy rate and the market conditions at the moment?

Mr Gleason: The market conditions that exist now in the city of London are certainly dictating that, yes.

Ms M. Ward: I am afraid I cannot see the immediacy of your problem, if you could not even pass those on anyway because of the market.

Mr Gleason: Our buildings are deteriorating. What we would like to know is that if we did spend the money, at least we would be able to recoup it somewhere else down the line.

Ms M. Ward: You would not necessarily attempt to recoup it, then. You just want reassurance that you could?

Mr Gleason: We want the assurances that we can, and we would love to be able to attempt it, but market conditions in the city of London are not allowing us to do that.

Mr Winninger: I am a bit confused. I thought that some of the complexes that Carlton Group manages were on Sandringham, where the rents went up over 14%.

Mr Gleason: No, they have not gone up over 14%. We got a 14% approval on our application but we have not increased anybody's rent over the guideline amount.

Mr Winninger: But you could increase it to the maximum level under the existing system if you wanted to.

Mr Gleason: Yes, we could.

Mr Winninger: So you have applied for increases beyond the statutory guidelines.

Mr Gleason: Yes, we have, and I mentioned that to—

Mr Winninger: In fact, a number of tenants have had to move out because of increases on Sandringham and also in north London. There are building enrichments—

Mr Gleason: I do not think any tenants have moved out because of the increase, because we have not given them an increase over the guideline amount. If they have decided to move out, it has been of their own volition, not because we have increased their rents beyond their means.

Mr Winninger: As part of the rent review process, a lot of the increase was due to a pass-through of not just operating costs and capital costs but also financial and economic loss. Is that not correct?

Mr Gleason: That is correct.

Mr Winninger: If I understood your position, your minimum position would be that you be allowed your capital costs.

Mr Gleason: I think our position is that we are just getting used to the current legislation as it stands now. What is happening is that we are going to have to redefine our minor maintenance requirements and what a definition of minor maintenance is. We are now going to have to go back and reassess what capital cost improvements we do want to do and only will address the ones that are an immediate danger or will cause immediate damage to the building structure itself.

As I said, we have taken the past six months to review our entire portfolio at a cost to us that cannot be passed on

to the tenants. We were in a position, and had the approval of the majority of our investors, to go ahead and spend over \$4 million to bring these buildings up to date.

Mr Mahoney: Thank you very much for your presentation. You have said you have not passed on increases beyond the guidelines, that you were planning on doing \$4 million worth of renovations and improvements to the building. I suppose your feeling is that you would then be able to increase the rents, based on the approvals you have already got from the board, to recover at least a major portion of that \$4 million if you were operating under the existing system.

Mr Gleason: Correct.

Mr Mahoney: I do not know why that is hard to understand. It seems pretty basic and simple to me, but I guess I am a basic, simple guy. I find it interesting, too, and you might have experienced this, that once we got this committee out of Toronto and into the real world, we have just been inundated all day today with people against this bill. I am sure you have seen some of the activities that have gone on in Toronto. They are activities that no one on this committee, from any of the three parties, endorses, when we see the living conditions that some of the folks in Parkdale and other areas came before us with. None of us endorses that.

Do you see anything in this bill that would allow any redress, any opportunity for tenants who are experiencing this terrible problem to solve that problem, to get the repairs done by the landlords, to force the landlords to do them? Is there anything here at all that you can see?

Mr Gleason: Definitely not. One of the major problems we are experiencing as a landlord in southwestern Ontario is that the legislation seems to be geared more towards the Toronto market, as you have indicated. We sat back and listened to the hearings when the previous government was in office and now this current government, again ready to change the current legislation based on the desires of tenants and owners in Toronto.

We are not experiencing the same vacancy problems down there as they are in Toronto. We want someone to listen to us, the smaller landlords in the outlying areas, where we are having economic hardship problems and are trying to bring our buildings up to standard. I think, as the previous speaker before me, the majority of the tenants in the outlying areas do get along with their landlords. I think there are very few landlords in southwestern Ontario, and maybe other areas of Ontario, who cannot sit down if there is a problem, face to face, and work it out.

I think the only place you are finding tenant associations is in the larger metropolitan areas, where there may be some landlords who have taken advantage of the legislation. But I think for the most part landlords know where their money is coming from. It is coming from the tenants. If you treat them well and look after them, along with the product, they will look after you.

Mr Mahoney: Is a free market system not wonderful? Do you experience any of the problems we have heard about, cockroaches, vermin, holes in the walls and all of

What kind of stuff, in any of the buildings you represent? Do you know of that kind of problem in this community?

Mr Gleason: Not to my immediate knowledge, no.

Mr Tilson: You represent the last delegation we are hearing in the city of London. My observation, having heard the various delegations that have come to this committee, at least in the testimony that has been given today, is that if Bill 4 is passed it is quite clear that the quality of life of the tenants in the city of London and the surrounding area will decrease. That is unfortunate, and hopefully the government will listen to that and reconsider its position.

The ministry has prepared statistics for us, and one specifically provided by Canada Mortgage and Housing Corp. on the average market rent. With the exception of Sudbury and Hamilton, London has the lowest average market rent on average, as of October 1990, at least. Can rent levels become so low, as a result of government legislation perhaps, that there would be absolutely no incentive for landlords to make building improvements or make capital expenditures to improve the quality of life for the tenant?

Mr Gleason: I think we are experiencing that now, as I had stated. We are in a position where we do have to redefine what we are going to do on just the minor maintenance, with the GST, going along with the increases in our utility costs, and financing costs going to refinance buildings. We do definitely have to reassess. I think that survey has indicated that as we are among the lowest in the province with our base rents, we are getting desperately near that break-even point on a number of properties.

Mr Tilson: Do you think Bill 4 will have an effect on the general economy of the city of London?

Mr Gleason: I definitely think it will.

The Chair: We are at the end of this particular presentation and also at the end of our work for today. Members have their itineraries. We are proceeding to Windsor this evening. Hearings will commence in Windsor tomorrow morning at 9 am. We have a very full schedule tomorrow. Unless there is anything the members wish to let other members or myself know, we are going to adjourn.

The committee adjourned at 1620.

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Première session, 35^e législature

Journal des débats (Hansard)

Le jeudi 24 janvier 1991

Comité permanent des affaires gouvernementales

Loi de 1990 modifiant
la réglementation des loyers
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 24 January 1991

The committee met at 0900 in the Hilton International, Windsor.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1986

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Chair: I see a quorum. I would like to call the standing committee on general government to order. As members can see, we have a very full itinerary today. I am going to need everyone's co-operation for us to keep on schedule, bearing in mind that many of the members have to catch a flight early this evening back to Toronto.

I would also like to draw your attention to page 2 of the agenda today, where you will see a slot for 2 pm and 2:20. We have witnesses for those slots and if you have a pen ready, at 2 o'clock Chris O'Neil and at 2:20 Moore Custom Homes Ltd.

SANDILANDS TENANTS ASSOCIATION

The Chair: The first presenter for this morning is Sandilands Tenants Association. The committee has allocated you 20 minutes for your presentation, 10 of which can be used to make an oral presentation to the committee. Ten minutes will be reserved for committee members to ask questions and for you to respond, and that will be done on a rotating basis. For the record, we would like you to identify yourself and also identify any position you may hold within any organization. Thank you. The floor is yours.

Ms McDougall: Good morning. My name is Sandra McDougall. I am representing the Sandilands Tenants Association of 3160 Peter Street, Windsor. My position of secretary-treasurer allows me to speak with many of the tenants and I would like to bring to your attention some of their issues and my own.

July 1984 I moved into my apartment. My carpeting in the living room has a large stain on it, the carpets in my bedrooms are covered with cigarette burns from previous tenants, the windows in my bedroom leak whenever it rains, I have cracks in the ceiling that are beginning to look a little dangerous and my refrigerator does not work properly.

I chose the apartment because of its proximity to my job and the rent was very good. In the last three years the rent has skyrocketed. I am almost in a position where I can no longer afford my rent and there is a proposed rent increase of 10.4% for this year if Bill 4 is not approved. I live alone and am self-supporting. I have no one else to share living expenses with. What am I to do with a rent increase of that amount?

I feel that in our particular case our rent increases have been based solely on financial loss caused by refinancing

due to flipping, and that is unfair gouging. Our present increases started in 1989 with a guideline plus phase-in, continued last year, and we will continue to pay until the financial loss is paid. We are not even paying for any visible capital expenditure improvements.

Several of our tenants are on fixed incomes—pensions and mother's allowance. We have a lot of seniors and students in the building who will be forced to move into substandard housing as a result of the proposed rent increase. Substandard housing rents are enormous. They will be leaving homes that they have lived in for many years, their homes, to apartments where landlords care less for their buildings than our landlord does. Our seniors are paying 45%, 50% and 62% of their incomes on rent alone. How are they going to afford the proposed 10.4% increase?

In my six years of tenancy in a block of six units that always seemed to be sold together, I have seen five owners. Our rents have increased substantially and no repairs are being completed except for board of health issues.

The six units that Wonsch Construction Co got together in the 1970s and 1980s as an investment were and are handled as separate entities. As I said earlier, I am speaking for and representing the Sandilands tenants separate from the other five units. We do have common problems relating to the flipping of 1987 to 1990 where, in 33 months, we have had five different owners. The representative of the Scarsdale Tenants Association, one of the apartments in the group of six, will go into more detail about this later in the day.

I realize that we might not have a totally different problem from the ones you have heard, but I feel that we might be a window into a totally different area of Ontario rental real estate. What has happened over the last four or five years in the Windsor-Essex county area and others outside of Toronto is the so-called flip. Mostly speculative absentee landlords, a portion of whom have not even seen the property, are investing in our market. They have none of the pride usually associated with landlords and their holdings and have no plans in regard to dealing with necessary maintenance and repairs but look only for the bottom line—profit. There is no mutual feeling between landlords and tenants towards the property and each other as a result of this.

We have a parking lot behind the building that floods in the summer and is a skating rink in the winter. Tenants are paying for the privilege of parking in this lot. If they do not park in the lot, they are forced to park on the street and we do not live in a neighbourhood where this is such a good idea, if there were a place to park. We have a lot of university students parking in the area, so parking is hard to find at times. This parking lot leaks into the underground parking area. One senior has repainted her car

because of damage caused by the leaking; one places a plastic cover over her car to avoid damage.

Three or four landlords ago we were to get the parking lot repaired and it has not been repaired yet, other than a slight patch-up job that was completed by the second owner and has not controlled the underground leaking. We are paying more for the privilege of parking underground.

As I stated earlier, we have many seniors in the building. Our last landlord wanted to charge them \$15 to change a lightbulb. Many of these people are too afraid to complain for fear of repercussions.

Hence, we formed the Sandilands Tenants Association in June 1990. Many of the tenants are still afraid to speak up, for fear of being evicted. We have been asking the last two owners to repair the parking lot. As of yet, this has not been completed. The ramp leading into the underground parking is supposed to be heated. I say "supposed," since it has not worked since I have been a tenant in the building and we are being told that it is too costly to repair. Why are we paying government-imposed phase-ins if we are getting no repairs completed? We are paying phase-ins for a landlord that does not even own the building any longer.

We have a carpet in the front lobby. One of our seniors tripped on the carpet since the door has caused a corner of it to roll. Luckily she was not hurt seriously. The managing company for the building paid \$65 to have tape placed under the edge of the carpet—\$65. Is this how our rent money is wasted? Who is to stop them from paying exorbitant prices for substandard work? The carpet, incidentally, is rolling again. Will our rents be subjected to an allowed increase when the owner is sued for someone being hurt?

The same senior who was hurt has purchased her own refrigerator and stove because the manager could not fix her old ones properly. She states that the manager told her to buy her own. We have three more seniors who have purchased their own fridges and stoves because they could not be fixed.

As a tenants' association, in September 1990 we distributed forms that explained what needed to be repaired in the individual apartments and they were given to the management company. As far as I know, they have not approached any of the tenants about repairs. Some of these are little things, like a bedroom door not closing, door handles falling off, things that you would fix in your own home before it becomes a major repair. They have not attempted to touch any of these problems. It makes me want to question if they are waiting for it to be a large enough repair that they will be able to apply for a rent increase.

If I were to buy a house, the government does not allow me any sort of relief because the last owner made a profit and I have a high mortgage. Why is it allowing them to increase the rents on us and seniors, who do not complain? Do we not owe our seniors more respect than that? Our tenants' association is trying to keep an eye on what repairs are being completed. Do landlords have to justify to us paying a \$65 fee for a \$5 repair the manager should have done? Who keeps an eye on them so that they cannot take advantage of us? Are they even required to tell us how

much they paid for repairs so that we can keep an eye on them?

The Sandilands Tenants Association and I thank you for allowing me to speak at these hearings and I appreciate your anticipated co-operation in these matters.

The Chair: Thank you, Sandra. The rotation will be Progressive Conservatives, New Democratic Party, Liberals. Mr Tilson.

Mr Tilson: What is currently the average rent in this building?

Ms McDougall: I pay the highest rent. I can tell you what I am paying. I pay \$616.

Mr Tilson: For how many bedrooms?

Ms McDougall: Two bedrooms.

Mr Tilson: What was the last increase?

Ms McDougall: It was 9.4% or 9.8%.

Mr Tilson: So what does that mean in dollars?

Ms McDougall: I think I paid \$585 before.

Mr Tilson: When was that?

Ms McDougall: Last year.

Mr Tilson: Do you know what it was prior to that time?

Ms McDougall: No, I do not really.

Mr Tilson: But talking to other tenants, that is probably about the average for the building. So it went through the rent review process and the items that you mentioned existed when the building—I am just unclear. Some of these matters that you refer to, did they exist when you first moved in?

Ms McDougall: Some of them.

Mr Tilson: Have you approached the municipal inspection authorities?

Ms McDougall: No, we have not yet.

Mr Tilson: I recommend that you do because I think a lot of those issues could be resolved with the municipal authorities. They can literally take the man—I do not know who it is, the man or woman, whoever it is, the landlord or corporation—to task to repair those things and if it does not, that is what those bylaws are designed for. There are labour regulations, there are health regulations, there are fire regulations. Some of those things seem to fall into that category and I would recommend that there are services available now that could assist you. Have you read Bill 4?

Ms McDougall: No, I have not.

0910

Mr Tilson: Some of your concerns obviously are to landlord and tenant problems and it sounds like you do have an unfair landlord, the way you have described it, at least. Bill 4, of course, does not encourage capital expenditures. For example, if it needs a new roof or new major expenses, Bill 4 does not encourage that. Do you think that is right? You do not think the landlord should be encouraged to perform major capital expenditures?

Ms McDougall: I do believe he should be.

Mr Tilson: Oh, you do. You shook your head the other way. In doing that, how can we encourage the landlord to do that? Bill 4 discourages that.

Ms McDougall: I think the landlord, if he is investing in a building, is going to increase his investment as he does repairs anyway, so it is to his advantage.

Mr Tilson: I quite agree, but if the landlord does not have the funds, how is he going to pay for a new roof? Where is he going to get the money?

Ms McDougall: I do not know.

Mr Tilson: You do not know? See, that is the problem. I appreciate where you are coming from, but we are having landlords coming to us and saying: "We don't have the money, and because of Bill 4, we go to a financial institution and the financial institution won't give us the money. It literally does not generate income." The result is, there are buildings across this province that are literally going down in standards and tenants' quality of life is decreasing. I sympathize with your position and I hope the government people take that into consideration.

Mr Mammoliti: Ms McDougall, you did not mention who the landlord was.

Ms McDougall: Oh, dear, I cannot pronounce his name.

Mr Mammoliti: Can you try for us?

Ms McDougall: No, I am sorry, I cannot. I can tell you who the management company is. It is Marwick Management.

Mr Mammoliti: You mentioned that there was flipping and gouging. Did this particular company or this particular person have a chance to look through the building prior to buying it and, in your opinion, look at things like roofs and anything else that may be subject to repair?

Ms McDougall: I have heard that today he came through the building. He bought the building last summer. Today he is going to be coming through the building.

Mr Mammoliti: So there was a chance. Mr Chairman, I do not have much time.

The Chair: That is correct.

Mr Mammoliti: But this is a prime example of what has been happening out in the province, when you talk about gouging and when you talk about the ample opportunity for individuals to take a look at buildings prior to buying them. What is happening is, they are buying them and then having to repair all kinds of things in the building and then charging the tenants for it. In this case we have a number of seniors who cannot afford it. You mentioned 45%, 50% 62%.

The Chair: Is there a question there someplace?

Mr Mammoliti: These seniors who are obviously on fixed incomes, can they afford this?

Ms McDougall: One of them is having a lot of problems.

Mr Duignan: You illustrated a problem that in the last 33 months you have had five owners of the particular apartment buildings, and this is exactly what Bill 4 is designed to achieve: Why should the tenants like yourself

have to pay for the financing phase-through of a particular building for someone to make a quick profit? Do you agree with that?

Ms McDougall: Yes.

Mr Duignan: Thank you.

Ms Poole: Thank you for your presentation to our committee today. It has been quite helpful in outlining the problem of flipping in particular. There does not seem to be any definition of flipping. Nobody seems to be able to put a handle on what it is, but I think most people would agree that five owners in 33 months has to be called a flip.

We are trying to work out how we would deal with a problem like this, not only in the long-term legislation but also in the short term. Do you see perhaps provisions saying that if a building is sold within a five-year period, for instance, that the landlord cannot apply for this financial loss the second time? Do you see provisions where if the building is sold during the five-year period after the landlord has received a financial loss order that that should be then declared null and void? For instance, you have highlighted the problem that you are now paying a phase-in order for a landlord who does not even own the building any more. Do you think those types of things would help?

Ms McDougall: I do not know, to be honest with you. I really do not.

Ms Poole: It is maybe unfair to ask you that question, because you really have not had time to consider it, but it might be something you could think about. How are we going to deal with the problem?

The other issue that you raised was what I call value for money, the example that a landlord paid \$65 to put carpeting tape on, which I think to most of us would seem quite excessive. It is something I have felt strongly about for quite some time, that there should be a provision in rent review that tenants can use as a defence that they did not get value for money, so that if a landlord puts in very expensive materials and yet the workmanship is shoddy or the result was not satisfactory, the tenants should be able to say, "We don't have to pay for that." Do you agree with that?

Ms McDougall: I agree with that very much.

Ms Poole: Thank you for your presentation today.

The Chair: Very good. I really appreciate your coming before the committee and speaking to us today.

Mr Duignan: My colleagues across the floor have been looking for examples of flipping. Here this morning the very first witness has come up with an example of flipping. Can we get our research people to have a look into this and provide some examples on how this took place?

The Chair: I think that is a very good idea.

Mrs Y. O'Neill: On the same point, if that is the case, then an economist must have an idea of what the word "flipping" means in talking about investment properties. Maybe the research people can find this. We have been going back and forth with this issue. I think we likely have an example of that here, but let's get a firm definition that

investors can accept and that is used in the economic circles of this province.

The Chair: Let's get all the data and then when we have a chance to review the data we can maybe have someone else review how it was being done. In response to Mr Duignan's suggestion, I guess maybe they have this information at the registry offices. As ownership changes, new ownership must be registered, I am assuming. By that, we will know how often ownership has changed. I think you went back five years.

Ms McDougall: I went back to 1987.

The Chair: Let's go back to 1985, which will give us a five-year period to look at. We have the address of the building and we will be able to tell all committee members when the building changed hands and who it changed hands to and we will distribute it to all members.

Ms Poole: Just a further addendum to that, if we could ask the ministry for any information it has, whether it be previous briefing notes or survey studies of the situation, anything it has on its records dealing with flipping and how it has looked at the problem. I think that would also be very helpful.

The Chair: I think ministry staff are listening and will try to provide that information.

Mr Mammoliti: I think it is important, if possible, to get the prices, as well, that they were sold for, and mortgages if there were any.

The Chair: We will ask research to add those two items, the prices and mortgages.

Mr Tilson: There have been comments made, of course, throughout these hearings, particularly by the government side of this committee, that there is flipping going on all over the province. I do not know what that means. I do not know how many flips there have been in the last number of years, if indeed we know what a flip is. I think I know what a flip is, but what their definition of a flip is and what my definition is are two different things.

Of course, you are going to ask the staff to pursue that, but as a further piece of information I think it would be useful, once we have established what a flip is, if this committee has established what a flip is, that we be advised as to how many flips there have been over the last number of years, if that information is available. The government, in particular the government members, who obviously have more information available than I do, hopefully will share with us how many flips actually have gone on.

0920

The Chair: This has been a repeated request. I would implore ministry staff to provide us with any details they have on this subject. It has come up time and again among the committee members. If we have the details, I would implore staff to give them to the full committee as soon as possible. We are going to have to carry on.

Thank you for your presentation.

Mr Tilson: On a point of order, Mr Chairman: I notice the minister has walked in here. I find this unusual. As an observer, he is quite welcome to be here, but I do not know what his presence is here at the table.

The Chair: The minister, being a member of the Legislature, is allowed to join our committee. It is correct; it is not unusual. The minister is not on the agenda to speak to the committee. We will follow the agenda that has been prepared and agreed to by the committee. There is nothing further I can add.

PATRICIA WILLAR

Ms Willar: My name is Patricia Willar. I live in an 11-unit apartment building in the east end. Thank you for allowing me this opportunity to appear before you to express my concerns regarding the rent review system in Ontario. While I have very little knowledge of the mechanism of the legislation, I have felt its effect.

I am here today not only as a concerned tenant but also because I feel I am representative of two other groups, the working poor or low-income and single-parent families, who I believe are mostly women. Possibly these groups compose a large percentage of tenants and surely the ones most affected by rent increases. In 1980, 28% of the population were poor but 57% of them were women. I am sure with the divorce rate at an all-time high, these percentages are even higher.

I returned to Windsor two years ago after living 25 years in an isolated northern community. I had never previously been a tenant and knew nothing about rent review. Affordability and accessibility are my main concerns, because both have such an impact on the quality of my life. Upon my return to Windsor, it took me longer to find accommodation than to find employment. I have had to move twice in 18 months due to rent increases.

Units are not only very expensive but rare. Some that are continually available, awaiting some desperate individuals, are defective, to say the least. The few buildings with more affordable rates do not even take applications. While looking, I faced discrimination for the first time in my life. The first question many landlords ask is, are you divorced? Second, are you working? Surprisingly enough, I was told single working mothers are a bad risk. They often pay late.

Even by doubling up with a relative, the place I found cost 50% of my salary. Rent review was never mentioned by this landlord. When my rent increased the following year, I had to move because \$30 more was too much to handle.

The next place was 42% of my salary, but I could find nothing lower. Three months later, my rent increased and was now 45% of my salary. Upon signing the lease, the landlord's representative had me sign a document stating they had given me all the particulars about a pending application for a rent increase, to be effective 1 January 1988, in compliance with the Residential Rent Regulation Act, 1986. I questioned this—it was August 1989—and I was told this was normal procedure. "Rent reviews are always a year behind, not to worry." I was very naïve.

Shortly after I moved, I started receiving documents from rent review: First an order confirming the rate I was charged, then a notice of phase-ins. But please note, it stated, "This is not a notice of rent increase." I understood nothing on this document except that it did allow my

landlord to raise the maximum rent charged for my unit, and this without further board approval.

I called rent review to find out more about this board. I wanted to know about its administrative structure and who was on the board and if tenants were represented. I was sure if tenants had any say that rents would not increase this much or so automatically. They could not tell me anything, except the people working there made the decisions concerning applications. As I said, I was very naïve.

I managed to obtain some booklets on rent review, one called *A Guide to the Rent Review Process*. I was very pleased to read on page 3 that, "Both landlords and tenants are provided with full opportunity to understand and participate in the process." But upon reading further, I became more and more worried. On page 7, "10 Common Reasons for Applying for Rent Review," eight of them are for landlords. On page 12, a clause allows hardship relief for landlords, yet no provision for tenants who endure hardship, whether personal or caused by landlords.

All in all, the booklets did give me an idea how rent review worked. However, most tenants to whom I spoke told me you need legal counsel to contest applications for rent increases over the guideline. I had also read in the papers about huge increases allowed by rent review because of capital expenditures.

My rent increased in December 1990 to 35% of my salary. I did get a raise in pay. Also in December, I received notice that the rent would be increased \$48, effective 1 March 1991, and a request for whole-building review. Now I was really worried, as my landlord had the halls painted, put lightbulbs in the outside lighting, filled in two potholes in the parking and started heating the halls. In 18 months, my rent would have gone up \$114.

Even with my raise in pay, I could not afford these rates. I knew from experience how long it would take to find a place within my means and I decided to get help. I called Accessible Housing Service and explained my problem. Three weeks ago, with their help, I moved into an apartment with more affordable rent. Believe me, I lucked out.

However, I am sure history will repeat itself. The building was recently purchased by an American. Already I have been told that if I used the appliances furnished in the apartment, I would be responsible for any repairs. Is this legal? As yet, there is no application for extra increases, but I am sure by next year, unless Bill 4 is passed, I will be receiving a notice of whole-building review. Even now, with just the guideline of 5.4% allowed, the rent will increase more than my salary. I am earning a comparable wage as a bookkeeper but unless pay equity is attained by 1993, I will have to move again. The question is, will there be a place left out there I can afford in two or three years?

I am sure you are thinking, "Here is a candidate for affordable, rent-geared-to-income or non-profit housing." Well, you are wrong. My efforts, and I know others who can tell you the same story, have shown me these projects do not respond to the needs of families needing only a small subsidy. You have to earn less than \$16,000 or more than \$33,000. Windsor Housing requires you earn less than \$16,000 while non-profit has only a small percentage

available to low income. The majority are for families on assistance or who can afford market value, earning more than \$33,000 a year.

Winhome has a priority list. I have been told it would be years before I could get a unit as I am not living in slum housing nor with rats or other creatures, and have decent plumbing in the buildings I have lived. One person is moved from unfit housing into a Winhome, yet the bad unit is left on the market for another desperate person. So it is not the tenant who is on the list before me but the unit. I wonder why these unfit units are not ordered closed or upgraded.

Last fall, an acquaintance informed me that three nurses moved into one of the Lauzon Parkway Winhome units and also that families with two incomes living in affordable housing was nothing new. I called Winhome very upset and was told there must have been special circumstance, that each case is unique. That is their favourite expression at Winhome. I asked what would happen if I quit my job, gave up my rent and set up in a tent in front of their office. I was told, "Well, then we'd give you a unit."

I might add that going on mother's allowance is a very tempting option. Last year I compared my net revenue with a person on mother's allowance and she was earning only \$200 less a month, but she had benefits, dental and medical, and received full tax credits.

Shelter is a very basic and crucial issue. We often see on TV the plight of the homeless and think, not in Windsor. Well, how wrong we could be if something is not done soon to prevent rents from going the way of Toronto. Windsor can still be saved.

The present system seems very complex and makes it next to impossible for someone like me to fight back. I do not have the capabilities to analyse the documents that are required for rent review nor the funds available for legal counsel. The Windsor Star once stated the present system of rent review must be acceptable as we do not hear too many people complaining. Perhaps they are like me, having a hard time finding out about their rights as tenants, or they feel overwhelmed by the system or afraid to be harassed by their landlord.

I hope I have managed to convey to you all that there is a large group of people out there who risk becoming homeless or being forced into unsuitable housing unless something is done to stop accommodation from becoming out of their reach because the system does not recognize nor respond to their needs.

I hope this committee will offer its support to Bill 4. While temporary, it will prevent further deterioration to the quality of life of many Ontario tenants and will force the rent review system to reassess and re-evaluate its *raison d'être*.

0930

Mr Lessard: Thank you very much for making your presentation to the committee today. You made several interesting statements mostly with respect to divorced women, whether they were working or not, and shown that the present system seems to discriminate not only against the poor and the working poor but also against women. In

any of the situations when you were applying for rental accommodation were you asked about children as well? Did you ever run into that problem?

Ms Willar: Yes, I was. Actually I was told that since I only had one son and there was a shortage of two-bedroom home units, that would be part of the reason why people like me never seem to get—and also lower income. I will give you an example. Seniors probably have a hard time getting these units. But that is just a small part of the problem.

Mr Lessard: Have you found that dealing with the rent review legislation has been very complex for you and difficult to understand?

Ms Willar: As I said in my presentation, there are parts of the phase-in thing I had no idea of. There are seven or eight columns on 10 pages that I have no idea what they mean, and who can I get? I cannot afford to go out and get a lawyer to help me explain what this is or anything like that. I just cannot afford this. You go to rent review and the staff at rent review are extremely cold. I have gone twice now in a year, and I feel like I am being laughed at when I go in there, so I have a tendency not to go there. I went there just this week to try to find out about this new building I just moved into. I wanted to know if there were any pending rent increases requested and I just was told, "No, there's none from the landlord." That was it.

Mr Lessard: Have you ever been able to obtain any sort of legal advice or assistance?

Ms Willar: I have not gone. I moved out of the building. I could not take the chance. That last increase that we were advised of, the phase-in, had already been approved by rent review. I just could not take it, so I moved out of the building. I did not try any legal—I did not do anything. I just moved out, because in the meantime I still could not afford to pay \$671 a month. That is what my rent would have been.

Ms Harrington: Thank you for coming.

Ms Willar: My pleasure.

Ms Harrington: You certainly have given a clear example of what we have called economic eviction. I would like to assure you that this new government is very serious in looking at and correcting the rent review system that we found. We want to give it a balance so that tenants in fact do have more ability to affect their housing and not, as you say, be at the mercy of the system.

Ms Willar: I am glad to hear that.

Ms Harrington: I want to also note a couple of points that you have brought up that I felt were important. First of all, in the non-profit spectrum of income, there is a gap there, somewhere in the \$20,000 earning range.

Ms Willar: That is right.

Ms Harrington: That is a real difficulty. Second, the note that you made about the benefits on family allowance, where you had difficulty in that area as well.

Ms Willar: Yes.

Ms Harrington: You also mentioned the assisted housing office. I hope that is of some help here in Windsor.

Ms Willar: Yes, thank you.

Ms Poole: Thank you for coming before our committee. Just before I ask you a few questions, I want to give you some information. You had asked in your brief if it was legal for them to tell you that if you used the appliances, you would be responsible for the repair bills. To answer that question, it is not legal. The landlord cannot ask you to assume that responsibility unless the landlord actually goes to rent review and obtains an order for extraordinary operating expenses in that regard.

Ms Willar: Thank you. I did find that out this week. I started doing some research because I was presenting here today and I did find out that it is illegal unless it has been approved previously.

Ms Poole: The other matter I want to talk to you about was the document that your previous landlord had you sign, basically a disclosure statement, stating that he had told you about the pending rent increases or the possible rent increases.

Ms Willar: Yes.

Ms Poole: Do you feel that the landlord had given you all the pertinent details?

Ms Willar: No, I do not, because I had the impression that it was something that was, you know, normal procedure, that it was a—now I find out it really is normal—but I found out he did not give me enough information to realize the effect it was going to have on me as a tenant. Now I do not know if it is up to them to inform me, as a tenant, of these rights.

Ms Poole: It is certainly incumbent upon the landlord to tell you about the possible rent increase, the fact that he or she has made application and what that would be.

Ms Willar: They did inform me that there would be an increase in December if rent review approved it, which it did, but that was for the year gone by, of which three months affected me. They did not tell me that it was an ongoing thing, that every year—like I said, this was the first time I ever heard of rent review, when I went there that time. They did not inform me that it was an ongoing process.

Ms Poole: I just want to mention to you as a final point that there is a provision in the rent review legislation that if a landlord does not give the tenant the particulars about a pending rent increase that is to take effect once they move in, the landlord can actually be denied the rent increase. You might want to look into that if they did not—I guess it is your previous landlord now so it is too late.

Ms Willar: Yes, it is kind of hard.

Ms Poole: But I just want to tell you that there is a recourse for tenants who have not been given the complete story. If it ever happens again, you might want to make sure that you use this. It has been a learning experience.

Ms Willar: I will next time, most certainly. Now that I know more about the system, I will know more of my rights now.

Ms Poole: The witness did make some comments about the fact that she felt that the rent review people in Windsor were less than helpful. Perhaps this might be something that the minister might like to take back to Queen's Park with him and just ensure that when rent review officers are dealing with cases, they are as helpful and give as complete information as possible, because I think people deserve that.

Ms Willar: Even if they were more pleasant, it would help.

Ms Poole: We probably cannot legislate courtesy but we can certainly give very strong directives that it is what we as a government expect of our civil servants.

The Chair: I am sure the minister has taken note. We are out of time. I am sorry.

Mr Brown: Just on a point of information, as we are going to be in Windsor all day I think it would be useful if the ministry could provide to us some information on what the average rents in Windsor are so that we have some idea. I note in some information the ministry provided to us yesterday or the day before that the vacancy rate in Windsor has gone from 1.3% in October 1989 to 2.5% in 1990. Perhaps they could tell us if that is because new units have come on stream. What possible explanations do we have for that? It would be useful for us through the day to have that information.

The Chair: I would ask ministry staff to please take note of that and provide the information to the committee if it is possible.

Mr Mammoliti: Just as a point of information, the ministry has provided us with the average rents in Windsor.

The Chair: Would you read the front page of the document so we can all refer to it? Is that from yesterday?

Mr Mammoliti: It is addressed to you, Mr Chairman, and it is dated 22 January. It has a lot of statistics in it.

The Chair: Mr Brown, could you look at that particular document and see if that meets your needs? If not, in the next few minutes we can ask ministry staff for other things. Let's move right along. Mr Turnbull.

Mr Turnbull: Ms Willar, thank you for the good presentation. You have raised some issues which I think are important to address. You talked about affordability and accessibility and you particularly talked about the problems when you are asked whether you are divorced and whether you are working.

Ms Willar: That is outright discrimination.

Mr Turnbull: It is one of those peculiar things that clearly the landlord in asking those questions is concerned that he is going to get his rent each month. I understand both sides of the issue, that a tenant is outraged at the thought that he is going to be discriminated against and, by the same token, if a landlord is running a business, it is very difficult to take somebody he feels is not going to pay the rent. You stated that you are paying 45% of your salary.

Ms Willar: Yes, I was. If I had stayed in that apartment, I would have been paying that.

Mr Turnbull: Could you tell me how much you are paying now as a percentage?

Ms Willar: I do not think my pay is an issue here. I can tell you the rents. I can tell you what I was paying for rent.

Mr Turnbull: I do not need to know your salary. If I could just have a rough percentage of what you are paying now.

Ms Willar: Right now, I am paying under 30%. I was very, very lucky. This apartment I have was not listed publicly. It was listed through Accessible Housing and I am very satisfied. My only worry is this automatic guideline and the fact that it was just sold to another owner. After all these stories I have heard, it worries me.

Mr Turnbull: You talked about rent-geared-to-income and you felt that people were falling between the cracks in that program. Can you expand on that?

Ms Willar: I have gone to most of the places that offer rent-geared-to-income or affordable housing or whatever you want to call it, co-op, and I never seem to qualify because I am earning too much money. I am earning over \$16,000 but under \$30,000, and \$33,000 seems to be where the double incomes go into—right now Windsor Housing, I believe, is closing down three- and four-bedroom units, because it does not have enough people, but I cannot have one of those because I only need a two-bedroom. I know two other women who can give you exactly the same story. They get the same line everywhere they call: "I'm sorry, you're earning too much money," or, "You're not earning enough." Definitely there are people falling through the cracks and I am sure there are other women out there or single people who are in the same circumstances as I am.

0940

Mr Turnbull: Let me ask you about a government program that frankly I have a little trouble with. I would like to get your feedback on it. The Ministry of Housing is funding non-profit, co-operative housing. In a recent example in Toronto, they were giving annual subsidies for units in Scarborough. Admittedly, Metro Toronto is more expensive than other parts of the province, but when you took the amount of money they were funding it was the equivalent of letting everybody buy a house for \$245,000, which is more than the average price of a new, single-family house in Toronto today. Would it not be more appropriate to distribute that better and make sure that affordability is more widely distributed, instead of taking a very small target audience and just throwing scads of money at those people. It seems we could address your sort of concerns if we did not do that kind of approach. What do you feel about that?

Ms Willar: I think it is a very good issue. Actually, I thought if you asked me about solutions, one of my suggestions is that perhaps you could think about doing things like that, taking subsidies instead of letting people like me give up and go on welfare or whatever, distribute subsidies directly to people who need them. As you say, co-op is also a very interesting aspect.

Mr Turnbull: As a matter of fact, that is precisely the Conservatives' position, that we believe we should have shelter allowances, where we take the individual person's needs and say, "Okay, we'll top you up to this extent," instead of the shotgun approach, where it does not really help anybody to the right extent. We have people who can well afford their accommodation and there are other people who, no matter what we do with rent control, we will never be able to help them.

The Chair: Thank you very much for appearing before the committee.

MENESSET MOBILE PARK

The Chair: Moving right along, we have Meneset Mobile Park, Keith Homan.

Mr Homan: My name is Keith Homan. I am the owner of Meneset Mobile Park, which is a land lease community in Goderich, Ontario. I am sure most of you are unaware of what mobile home parks are about, so I brought some brochures so you would not think it was one of those trailer parks or something to that effect.

I have with me something my tenants gave me at Christmas. As I am a landlord, I will read what it says. This is called a "damn it" doll. This is good for every landlord. It says:

When rent controls have got you down and you
want to kick the deck and shout,

Here's a little doll you just cannot do without.

Just grasp it firmly by the legs and find a place to slam it,

And as you whack its stuffing out, yell, 'Damn it,
damn it, damn it.'

I would like to ask the person who booked this room for our hearings whether he or she has ever read through a whole-building-review application. I would like to quote from the cost-revenue statement: "If appliances, carpeting, furnishings or other similar items were purchased, was there an effort by the landlord or persons directly employed by the landlord to negotiate improved terms of purchase?" I ask you: (1) Did you make an effort to find a more economical meeting room? We would have to. Maybe it is about time the government fell under the same controls as landlords. (2) Did you notice that appliances, carpeting and furnishings do not apply to mobile home parks? In other words, these applications are for apartments only.

My wife and I are the owner-managers of Meneset Mobile Park Inc, a land lease community. Our feeling is that we are not and should not be under rent controls. In 1968 I started the park. I was teaching math in high school. My wife was an RN. Evenings and weekends I worked laying sewer, water and hydro lines. My teaching salary, as well as any park income, was all put back into the park development, as, unlike the government, we were against borrowing and going into debt to develop. We lived on my wife's salary. I had visions of a good business some time in the future, one in which I would be my own boss and be able to pass the business on to my son when I retired.

At this point I am unable to retire after 23 years due to government interference in rent. It is not a business I

would like to see my son in because of rent control, and I am unable to sell it due to the chronically low income due to rent controls.

The way I should have worked my business would have been to give myself a good wage for 23 years, therefore putting the rent up, and borrowed money to build the park and then I would be able to show I am in debt and raise the rent. Instead, I have my business paid for and no way to get an increase in income. Nothing in the whole building review applies to a landlord's income.

I would like to explain a park operation and some of its problems. Meneset is a 230-home park. It is completely self-contained, owning and maintaining three miles of paved roads, two and a half miles of water lines, three miles of sewer lines, three miles of primary and secondary hydro lines and poles. There is a recreation hall, three wells, three sewer pumping stations, three large tile beds, workshops and equipment.

As my park is 23 years old, my tile beds need replacing at a cost of \$60,000; my three sewer pumping stations need standby pumps so I do not have to endanger my life each month by entering the septic tanks to check the pumps; my roads are in need of repairs; and my building roofs need replacing, as do my hydro poles. I have no money for the above, as rent review does not allow you to have money ahead for projects such as this.

I maintain two pick-ups, one four by four, one dump truck, one bucket truck, two tractors, two large riding mowers and 10 push mowers, as well as much smaller equipment.

We are a small town. Towns collect taxes without government interference. They obtain grants for road and utility work and have money put aside for future projects. They can also raise taxes to cover GST.

I am supposed to pay increases in fuel, which is up 30%, hydro 15%, heat 20%, wages 6%, OHIP 200%, worker's compensation, Canada pension, insurance, taxes, general repairs, building repairs, landscaping, road and ground maintenance, vehicle maintenance, all of which have increased more than 4.6%. The 4.6% increase in my \$150 rent per month gives me a \$7 increase per tenant per month.

The GST was the final slap in the face. We are unable to recoup any of this because we are rental. In my case, using 1989 financial statements the cost of GST to my business amounts to \$14,000. My 5.4% increase this year will not even cover this, let alone all my other increased expenses. I am not allowed to apply for extraordinary operating costs until the end of this year. It then takes another year or two for an order to be given. By that time I am \$48,000 or more in debt. I ask if anyone in this room would like to cut his wages by \$14,000 per year.

I have no alternative but to cut back on \$14,000 worth of services in my park, such as water softeners at the wells, street lights, recreation hall fuel and maintenance, snow plowing, garbage pick-up, ground maintenance, etc.

On the subject of rent review, I have gone through four whole building reviews in the last four years at considerable time and expense. I cannot afford to do this each year for the rest of my life to show that I need larger increases.

I would like to add that not once on my four applications has a tenant objected to an increase.

I would like to state some of the problems I have had with rent review orders. On my third application, I was told I could claim \$13 per hour working in the park. I worked seven days a week, usually 10- to 12-hour days, and I am on call 24 hours a day. Who gets called out during an ice storm with trees or lines down? Who gets called out on the coldest day of winter for frozen water lines? Who polices the place? Who designed the park? And all for \$13 an hour. One of my employees gets \$16.50 an hour. How can someone in rent review, who knows nothing about my business, tell me what I am worth? Needless to say, this is the only income I derive from the park.

This next part is not in those sheets.

Last night I looked over the order again to refresh my mind. I would ask you this question: If a town had to hire a new man because it expanded or had repairs to do, would the salary of the foreman be cut back because he would have less to do? Does this sound ridiculous? Let me quote from my order: "Therefore, an hourly rate of \$13 has been allowed, which is more reasonable in the marketplace. This figure is further reduced by the salaries of the two new employees, whose work replaces the landlord's, and the amount of labour allowed in the capital expenditure section." I still work the same hours as before.

0950

On my last review, they put the park income at \$30,000 above the figures from my rent book on my application. Where the figures came from, I do not know, but for them it showed I had no financial loss. On the same application, I put in for capital expenditures because for the first time in 23 years I finally built a park office instead of working out of the house or my truck. Thirty per cent was disallowed because I had a picture of an adjacent marina on the wall. I was told that the office was also used for marina business. The marina is two miles away and has its own office.

I was also told that we sell new homes out of the office. We were going to Hensall each time a new home was ordered and spending the day with the client at the factory offices ordering the new homes. Sixteen per cent was taken off other amounts claimed for capital expenditure because I was told there were 37 fully serviced sites available for future income. No one at rent review knew whether these sites were fully serviced or not. These so-called fully serviced sites have no water or hydro and are still empty. There is a cost of \$6,000 to service each of them. On the other hand, when I claimed a vacancy loss in the application, it was stated, with no reason given, "These amounts cannot be considered for the purpose of this review."

I was going to appeal my decision but was told by the rent review office that most people who appeal end up with a lower amount on their order.

The operating costs from my financial statements are \$29,000 higher than those they used on my order. It appears they use whatever figures necessary to make my economic loss look less than it actually is. For those who

do not know what economic loss is, a landlord should be allowed 10% return on his investment. In my case, working with the rent review board, it was agreed that the amount invested by 1975 was \$1.2 million. I should therefore be making a return of \$120,000, separate from my salary for working in the park. My financial statements show me making a salary of \$35,000 to \$45,000 for work done and at year-end \$1,000 to \$2,000 left in the park account. Somehow, my order shows me making \$90,000 separate from my salary. If that were the case, I certainly would not be here today.

As far as I am concerned, rent review manipulates figures so that the end result is what they want. The problem is that rent review was started to stop luxury renovations and flipping—the old word—of apartment buildings. The rules to stop this are putting the smaller people out of business. There is no flipping of parks or luxury renovations going on here to raise rents. We are mostly honest, hardworking people who are being completely screwed by the government.

Rent review forms were made out for apartment buildings. Nothing on them pertains to mobile home parks. When I asked why they did not make forms for our business, we were told that we are a small minority and not worth making forms for. There are 350 mobile home parks in Ontario.

Anyone with any knowledge should realize 4.6% of \$150 per month is \$7, while 4.6% of an apartment building getting \$700 per month is \$32 per month. Why should apartment buildings get \$32 and we get \$7? Our small increases just tend to put us further behind each year.

New parks are charging from \$400 to \$600 per month. Why are we held back at \$100 to \$150 per month? People do have a choice whether they want to come to our parks. That is much more than we have. Our choice is none. In a free market environment, the market only bears the rent people are willing to pay. I had thought this was a country of free enterprise.

All parks are different. Some have no trees to contend with and some are on city water and sewer. At others hydro is supplied by Ontario Hydro. In my case, my park is heavily treed and I supply all services. My park consists of 230 homes, the tenants being mainly middle-class senior citizens with a home here and one down south. This is a very affordable type of housing, which is what the government is looking for but unable to see in front of its nose. One of the reasons General Homes went out of business, putting 140 people out of work, is because parks are not expanding. I myself put a 300-site expansion on the back burner.

We have potential tenants afraid to move in because they are afraid of what government interference will do to our parks. Because of the low rents the question is asked, "How can you keep your head above water?" My park contributes \$80,000 in taxes to the township each year. It also gives jobs to plumbers, electricians and carpenters who do jobs for the tenants. My expenses are \$300,000 per year to run the park. That is money that goes into the community. We as park owners are not out to rob tenants

but we are finding the struggle to survive harder and harder.

I am tired of playing your silly games where you change the rules daily—retroactive, at that. The choices are few here: I can carry on on my own with no regard for the government or rent controls, just as you have no concern for park owners or know nothing about them; I can go back to teaching and make more money than I am now, with fewer headaches; I can close my park and sell the mile of lakefront property and make twice as much as I do now from interest on the money, with no headaches. I can cut back on services each year as I get further behind in income.

The government is interfering with something it knows nothing about. In conclusion, I would like to restate that in a free market environment, the market only bears the rent people are willing to pay. Let the market set the rents.

Mr Brown: Thank you for coming today. You are the first presentation regarding mobile home parks. You are right. I am not unlike most of the members, and we really do not have much information about this particular segment of the housing industry. We are all very interested in providing reasonable, affordable housing, and this does seem to be very affordable. Could you tell me, for example, what would be the average cost of a unit sitting on your land? What would the mobile home be worth in today's dollars?

Mr Homan: Anywhere from \$20,000 to \$75,000. Used homes are \$15,000 up and a new home usually starts about \$39,000 to \$40,000.

Mr Brown: Is there much turnover among your tenants?

Mr Homan: Not really.

Mr Brown: Would most of them be seniors or retirees?

Mr Homan: We started as everything. There were families, seniors. Gradually, families usually move on to a house, and as they moved, more seniors moved in. At this point, we have maybe four families in the park and the rest are seniors.

Mr Brown: So it is really almost a retirement living sort of situation.

Mr Homan: It is geared for retirement. With the recreation hall, the seniors run it themselves, so it is pretty well geared that way. But it is open to families.

Mrs Y. O'Neill: I thank you very much for coming before us and I commend you on what you have built in your community. I would like to ask you one question. You said you posed a question, and I did not know to whom, about the forms, and that your type of housing was in such a minority position. Where did you pose that question?

Mr Homan: To the London rent review board. When I first went in for an increase, they gave me the forms and I went home and started looking at the forms. How many elevators do you have in your complex? How many bedrooms, what carpeting—nothing, nothing at all for a park. And the computer will kick things out. The last increase I

went for they disallowed, they sent it back because the computer kicked it out because I did not fill in the number of bedrooms. Well, I am not going to go up to everybody's home and say, "How many bedrooms do you have?"

Mrs Y. O'Neill: You have brought something before us which, as Mr Brown says, is unique. I think we should definitely take a very strong look at what you have brought before us, because this and all other very good mobile park homes across this province are a good form of housing. They are a form of housing that gives people another choice.

Mr Homan: Well, at a \$30,000 income, it is 7% of their income for rent.

Mr Tilson: Are you aware of the Cartwright decision?

Mr Homan: Not really. I have heard of it.

Mr Tilson: Let me tell you a little about that. That is a reasonably current decision, which I understand has finally been decided at Divisional Court. It decided that where a tenant rents the land but owns the residence situated on the land, rent controls do not apply. Most people in your case and, from what I understand, most tenants under the special situation you are in agreed with that.

Just so you are aware, what the ministry is saying is that it clarifies this vagueness which the court made quite clear. Of course, Bill 4 says that it specifically includes mobile home sites and sites which are on private dwellings owned by the occupant and located there. In other words, they say: "Now you are under rent control." In other words, people in your position have now been kicked twice.

1000

Mr Homan: That is right.

Mr Tilson: In fact, you have been knocked down and you have been kicked.

Mr Homan: That is what this is.

Mr Tilson: You are right on with your little doll, and I suppose I would like you to talk about that. There is the retroactive issue which mobile home people are complaining about, and now there is the situation where people have been planning, they have been speculating—not speculating, but dealing with their renovations, their capital expenditures. They are improving the quality of life on the mobile home sites. Now that is taken out. In fact, it has been made retroactive to 1 January 1987. Were you aware of that?

Mr Homan: Vaguely. I try to blot it out of my mind. As I said in my talk, I am just going to have go on my own and take the consequences.

Mr Tilson: Not only have you been kicked, but you have been stepped on.

Mr Homan: Yes, yes.

Mr Tilson: What is the average rent at your place to occupy a site?

Mr Homan: It is \$150 a month.

Mr Tilson: That is \$150 a month. Then of course the average rent in Windsor is—where are you?

Mr Homan: Goderich.

Mr Tilson: What is the average rent over there, roughly, for an apartment?

Mr Homan: Oh, \$600 to \$700.

Ms Harrington: Thank you for coming. We certainly appreciate that this option, which is the mobile home park, is a good, affordable choice for some people. We do believe that mobile home parks should be available and accessible for people. It sounds from the history of your own personal development of the park, and your pictures as well, that it is a very beautiful spot. I would like to commend you for that development that has taken place over the last 23 years.

Mr Homan: Thank you.

Ms Harrington: The one point you raised about the forms not being able to be processed, if you are filling them out correctly and the computer is not accepting that, is something that I certainly think has to be immediately fixed up.

When did mobile home parks first come under rent review? When did you start being involved with this?

Mr Homan: I believe it was 1985.

Ms Harrington: So you have been through this process then for a couple of years at least.

Mr Homan: Yes. Each year I have to—as I say, \$7 a month. Back then it was less. My increase was probably about \$2 a month when I did my first application. I was back at \$85 a month, and it was either close it or do something with it. At present, I still cannot make a decent income. I can go back to teaching high school and make more than I am in the park. A 230-site park should be able to give me a decent income.

Ms Harrington: Right. I would like to tell you that when we came into government we very firmly have said that this rent review system is not working and that we want to look at all aspects of it and try to improve it. So we will be looking at this area as well.

Mr Tilson: Putting them in it; some help.

Mr Homan: I could go through my four applications and just tell you—

Ms Harrington: It has been in five years. Pardon me, sir?

Mr Homan: I could go through my four applications and pick all kinds of horror stories out of them. People sitting in London have no idea about the park. They have never been in one or seen one and they are telling me how I should run it.

Mr Lessard: You indicated that your expenses were \$300,000 a year?

Mr Homan: That is right.

Mr Lessard: And what is your gross income?

Mr Homan: This is great. I am glad you asked this question, because my rent book that I gave to the rent review for my last application said my income was \$354,000. I had everybody's name listed, like the book I keep the rent in, and that is what it worked out to, \$354,000.

My rent changes in the middle of the year, in July, so from January to June my rent was \$125 a month at that application. From July to the end of the year it was \$139, because my rent changed 1 July. They used the number of \$139 for the whole year, plus they came up with sundry expenses of \$26,000—I still do not know where it came from—and jacked my rent up to \$379,000 or \$380,000. So they work all these sheets throughout my rent application at \$380,000 as an income and my accountant shows me I make \$345,000.

Mr Lessard: You do not have a mortgage on the property.

Mr Homan: No, I do not.

The Chair: Our time has expired. Mr Homan, we really appreciate your driving all the way from Goderich to be with us today. We appreciate your representation and your brief.

Mr Homan: Thank you for having me.

BRALDAN INVESTMENTS LTD

The Chair: Braldan Investments Ltd. You have 10 minutes for your oral presentation, followed by questions. We ask you, for the record, just to identify yourself and what position you hold with Braldan Investments.

Mr Demsky: My name is Paul Demsky and I am the owner of Braldan Investments. There should be a sheet passed around that will tell you a little bit about me. I work full time and I am a small landlord. I am not very good at speeches and I am not very good at numbers; I just wanted to talk for a few minutes.

There are three basics that we have to be concerned about: food, shelter, of course, and clothing. The government does not seem to freeze the price of food or clothes and it does not seem to go to the clothing stores and tell them what they can charge a person for a pair of pants or for a shirt, and yet it puts total control on us as landlords. You have to stop maybe for a while using the word "landlord" and the word "tenant" and you might want to switch the words and call them business person and customer.

In this business people want to make a profit, just like the guy who sells shirts or laundry detergent or food. You take away our ability to make a profit and we are going to get out of the business and the housing stock will disappear inch by inch. We make money by positive cash flows and we make money by our buildings going up in value. We are generally long-term thinkers.

Now, if we take \$30,000 or 40,000 out of the bank, or if you did it and you wanted to become a landlord, you are getting 10% interest at the bank and you are doing nothing. So if you are going to put it into the building and you are going to have to do work—it is not just going around and collecting the rents and stuffing your pockets with money. If you are going to take a risk, you want to do a little bit better than 10%; otherwise, why not leave it in the bank and let the government take over everything?

I want to talk about our image as landlords. A lot of people have this perception that we are all Donald Trumps—we all drive Porsches, we all have these big yachts in the harbour—and that is really not the case.

Jeffrey Freedman writes a column in the *Toronto Star*. Let me read what he always says: "This new legislation means that landlords will not be able to pass on the cost of luxury renovations such as marble halls and microwaves." He keeps saying that over and over again. It is like we do not do any thing but put in marble halls and microwaves.

I do not know if you know Bob Rae. He is in the newspaper with a picture of some poor tenant facing her 20% rent hike. The ceiling is collapsing, there are cockroaches, and the papers write it up, and the landlords are horrible. But do not believe everything you read in the newspaper. Maybe it is a bad landlord; there are some, for sure. Maybe the landlord needs the money to do the repairs; maybe he is losing a lot of money; maybe a lot of tenants are not paying their rent; maybe the tenant upstairs is the one running the water all the time destroying the ceiling.

We landlords did not invent cockroaches. We do not bring them into the building. You know, your rent includes four cockroaches to start up a farm. Where do you think they come from? Do not blame us all the time. There are bad landlords, there are bad cops, there are bad doctors, there are bad lawyers, right? A bad lawyer, you could take away his ticket; a bad doctor, you can take away his ticket; a cop, you kick him off the force. Anybody with a few bucks becomes a landlord; we are stuck with him. We rely on you to help keep those bad guys out of the business, but we cannot kick them out, just like the law society does or the medical society does, but you are punishing us for these few bad landlords.

I just want to say that if you want to see some damage from unilaterally freezing rents and just locking it out, I suggest you should not be in Windsor at all. I suggest you all should take a tour of the Bronx and see what your legislation is going to do a few years down the road.

I do not put in marble Jacuzzis and microwaves. Maybe Mr Lessard has seen my project. That gentleman actually came and talked to me. He will tell you the type of work I do, but I borrow money from the bank. I have to pay it back over the lifetime of the renovations, and I pay interest on it. I have to get that back from the tenants or I do not do it; it is just that simple. I cannot afford to fix up my apartments and take the wages out of my job. I have my own house to pay for and I have three kids to look after.

1010

There is never any mention about legislation to protect landlords. If a tenant does not pay us, it takes us months to take him to court, and we lose, even with the deposit. It is expensive and often futile to go to small claims court. Go try getting a tenant out who is selling dope. Once they get in, they make noise, they move in seven people when they promise you there are only going to be two. Once they are in, they can do all kinds of harm. We end up paying for it.

I had a girl who was on welfare whom I rented to. It turned out to be a hooker, which is all right, everybody has to make a few extra bucks, but customers are coming in at 2 o'clock in the morning and they do not know which door she is at so they are waking up all my other tenants in the building. True story. There is nothing I can do unless I get

photographs. I cannot kick her out. I cannot get out a person who is selling dope, if I find out, unless he is convicted in court, which means it is probably three years down the road. You know the court system.

A lot of landlords do not rent to welfare. Do you know why? By the way, that puts a lot bigger demand on public housing. They do not rent because you do not protect us. If welfare gave us direct payments so that they cannot go out and run and spend the money, then maybe we would rent to them. We cannot take them to court and get a garnishee because you cannot garnishee welfare, so what do you do? You take the easy route and you do not rent to them. I do rent to them, but a lot of people do not. If you want to help us out, make sure they pay the rent on time and they are good citizens, and we will rent to them.

I am going to give you a couple of solutions. I know my time is running out. Take all this money that you are spending on rent review and all this mumbo-jumbo and all your salaries and just give it out to business people and say: "Here is money for building apartments, an outright grant. One condition: Keep it as a rental apartment. We will give you \$8,000 for a one-bedroom and a \$10,000 grant for a two-bedroom and \$12,000 for a three-bedroom," and just give away the money to landlords.

Do you know what is going to happen? I will tell you what is going to happen. You are going to have thousands of new units on the market, number one. Number two, the landlords you are going to give the money to are going to charge less, probably, because their costs are less. Then supply and demand takes over for all these units and that is going to hold prices down and then the bad landlords—I want to tell you about the bad landlords—are going to have to clean up their act because they are going to be the ones with the bulk of vacancies.

Now, you subsidize co-ops, or mortgage breaks. Some of the units are geared to income. What happens is that well-off people end up living in them and the whole project seems to be subsidized. You all heard about Jack Layton and all these people in Toronto. That goes on all the time. I can show you a lawyer and a social worker earning over \$125,000 a year who are living in a co-op, which essentially is funded by the government. Subsidize the working poor so that they can stay working, because sometimes it is better for them to go on welfare because they get more money for rent. Subsidize the needy.

Your other choice is to let us disappear and you become the landlord. You will build more projects for all the needy people, and you know what you are going to do? You are going to build more Regent Parks and you are going to put them all in ghettos instead of letting them integrate. I have a few living in my building. You are just going to build more ghettos. You know what it is going to cost you to build? Have you ever figured out what it is going to cost you to be the landlord? An apartment I can supply for \$500 or \$600 a month that maybe you will subsidize for a couple of hundred dollars a month is going to end up costing you \$1,000 a month by the time you build it, and the land and maintenance, because we are much more efficient at being landlords than the government is, I can tell you that much. So you are going to pay

for it one way or the other. You want to boot us out, a lot of us are going to suffer, and in the final analysis, you are going to end up paying.

I have two points that I want to make, real quick ones. Dave Cooke said on Saturday to the landlords—I do not know if you have heard the name Dave Cooke—looking them right in the eye, “I don’t represent you.” We have that on tape. “I don’t represent you.” He may have gotten elected from, you know, these people, but now he represents everybody. I think he is sadly mistaken.

Now, the Ministry of Labour is run by a union leader who does not care about business people; he only cares about the workers. That is fine if that is the way that you want to be, but think of the message that you are sending out to the world investment community. You are saying, “Stay away.” That is going to cost us jobs, investments. Businesses are going to close and welfare will be up and your legacy is going to be that you got better severance deals instead of getting them jobs.

But going back to the landlords, you know, you have legislation about blacks. Why are you bringing out legislation to protect black minorities? I will tell you why. Why do you bring out legislation to protect the handicapped? There are only a few of them around. You do it because it is right and it is moral. Well, you know what? Landlords are a minority too and we should be treated fairly.

If you continue with this law because tenants have more votes than landlords, if you dare do that to try and buy yourself another election, then you are no better than any of the previous governments that have ever been around and you are going to abandon fairness and equity for votes, and God help you if you do. Thank you.

Mr Turnbull: Mr Demsky, you suggested that one should subsidize the working poor. I am particularly interested in that suggestion. The New Democratic Party has suggested, and so have some witnesses who were tenants, that if you subsidize the working poor in their housing that they get to touch the money just as it passes through from government to landlord, and the suggestion is that somehow there is something very immoral about that. Yet at the same time, as I have mentioned on a couple of occasions before, the government is currently funding the construction of co-operative housing in Scarborough, for example, where the annual subsidy to each person is the equivalent of buying them a house for \$245,000. It seems to me this is a total waste of money. But I know the way the NDP members think because they have talked about it. How would you respond to this question about subsidizing the working poor and the fact that the money is just being touched by the tenants?

Mr Demsky: If they just touch it, if they smell it, look at it, the bottom line is that if they subsidize the working poor, then that means that less of their money is going to go for rent and they will have more money for other things such as food and clothing and sending their kids to camp. These co-ops where you subsidize the mortgages and CMHC and all these little gimmicks that you have, they are being used, they are being abused. How many of you live in one?

Mr Duignan: I do.

Mr Demsky: Do you? Okay.

Mr Duignan: I do. I take exception to your remarks. That is something I want to talk to you about.

The Chair: Order, please, order. We are following a rotation. Mr Duignan, you will have a chance to respond to this in full.

Mr Demsky: Sorry. The bottom line is that these co-ops cost so much money that if you put it into the right hands to subsidize the people, you can get a lot more bang for the buck than just letting governments become landlords.

Mr Turnbull: Mr Demsky, you mentioned the message that was sent out to the world investment community. There was a statement by Bob Rae last year in an interview with Michael Melling, the tenants’ advocate in Toronto, and Rae said in it: “You can’t talk about rent review until you talk about the structure of ownership. You make it less profitable for people to own it. I would bring in a very rigid, tough system of rent review. Simple, eliminate the exceptions and loopholes. There would be a huge squawk from the speculative community, and I say to them, ‘If you are unhappy, I’ll buy you out.’ We need a government program of purchase.”

Mr Demsky: That is great. Make the cheque out to Braldan Investments if you want to buy me out. It would be my pleasure.

Mr Turnbull: That was my question.

Mr Demsky: Or there is another solution. Maybe the NDP government can just single out landlords—we could make special arm bands—and then just shoot us. What do you want to do? We are honest people, we are hardworking people and we are trying to do a good job and a fair job. I am a good landlord. I am a hell of a landlord. I look after my people. I am over there seven days a week, 24 hours a day. I have a phone call emergency service.

Mr Lessard, who is a nice gentleman—I am Jewish and I am closer philosophically to the Palestinians than I seem to be to the NDP—came out and he saw my projects and he will tell you that I do not have microwaves in there and marble halls, and I give them beautiful accommodation. As a matter of fact, I think he would be happy to live in one of my units. But it costs money to make decent accommodation, and we have to get it back. We just do not have deep pockets. Again, we are not Donald Trump.

Mr Mammoliti: Sir, I am going to do this as quickly as possible. I am going to tell you a little story. When I was a kid, I used to play hockey out in the street.

The Chair: This all relates to Bill 4.

Mr Mammoliti: Yes, it does; it relates to Bill 4. I played hockey out in the street, and I could not afford a net. My parents could not afford a net for me. However, there were one or two individuals on that street who did own a net. For some reason those particular persons got more respect than the average kid on the block. A few of them, after their parents called them in for dinner, would take their nets with them because they did not want us to have the opportunity to continue playing hockey. Well,

how does it relate to this? It relates because the statements such as, "We want to make profit, and if we cannot make the profit then we are going to leave and we are going to go somewhere else, and Bob Rae and the government are going to be stuck with a big problem on their hands."

1020

Well, I take exception to that. You are not the only landlord who has been saying that. We have been hearing from tenants for years who have been complaining about high rents, and nothing has been done. The previous government did not do anything, and it did not do anything because it knew there was no threat over its head with tenants. However, now as a landlord you have that threat. We now have to listen to the landlords and take in what you are saying. Sir, and it may not apply in your particular case, but I can say this to you: there have been a lot of landlords in front of us and all of them are giving us this threat. What we are saying is that we want to co-operate with you; we want to co-operate with the landlords. Are you prepared to do that or are you—

Mr Demsky: Sure.

Mr Mammoliti: —just going to come up in front of us and say, "If I cannot make the profit, then I am leaving"?

Mr Demsky: No, but it has got to be fair. We have got to get the money to do all the renovations, and it cannot come from our pocket because, like I said, we do not have deep pockets. You did not have a hockey net and that guy had a hockey net, and I understand that there are haves and have-nots. I am from the have-nots also. I am also a high school dropout, and never finished grade 10. But you know what? I have worked hard, and I saved my money and I did not go out and blow it on fancy cars or drinking or a vacation. I bought an investment property and then I went on and I got another one. What I did anybody can do. It is really easy; it is really easy in Windsor. Anybody who saves up \$5,000 or \$6,000 can go and put a down payment on a house here. There is no magic to what I do.

Mr Duignan: Sir, I take exception to your remark about co-ops, etc. I am not going to get into that. I can talk privately with you. However, let's have a look at the free market and what it has done in British Columbia, decontrolled since 1984. For example, private rental starts declined from 47% in 1982 to 5% in 1988. Vacancy rates have dropped to 5%, that is to October of 1989.

Mr Demsky: I am sorry, the vacancy rate is 5%?

Mr Duignan: It dropped to 0.5%, half of one per cent. It has got to the point in Vancouver where the city has imposed a \$1,000-a-unit tax to stop the conversion of affordable rental stock to condominiums, and to the point where the British Columbia government is toying with the idea again of reintroducing rent controls. So where does the free enterprise system work? It works for the guy who has the money and screws the tenants.

Mr Demsky: Gee, we are such a bad lot. First of all, I believe your figure of 0.5% is not accurate. Second, how about Alberta? What is the vacancy rate in Alberta? How about Edmonton or Calgary without rent control? I think

Edmonton is 6.8% and Calgary is 3.4%. It is all the governments, not NDP, but the Liberals and the Conservatives, because what happened in 1975 when you started this whole cycle with all this maniacal paperwork and everything was that the Conservative government brought in rent control. Again, votes; you know, more tenants than there are landlords.

What happened to the Cadillac Fairviews and the Greenwins and all the little people who were building rental accommodation? They said: "Wait, they are going to tell me what I am going to charge? I'll go build shopping malls. I'll build skyscrapers. I'll build industrial units, but I won't build rental." So they got out of the market—

Mr Duignan: But—

Mr Demsky: Let me finish.

Mr Duignan: In defence of my Conservative colleagues—

The Chair: Time has expired.

Mr Mammoliti: Do not defend them.

Mr Tilson: I do not need your help; stay away from me.

The Chair: Thank you. You have three or four more minutes. Mrs O'Neill would like to speak with you.

Mrs Y. O'Neill: I would certainly like to congratulate you. You said you have not had much experience speaking publicly. You are a man who is making an honest income. You understand the world of business and certainly rental investment. I am very pleased that you brought to us two things that we have not had brought to us: How you would deal with the profession of being a landlord—very different from what we have in the protection of the other professions that are more highly and formally organized. You brought forward lawyers and doctors. I also think it was very significant that you brought forward the comparison about minorities.

My question to you is about tenant evictions. We have talked very little in this set of hearings about tenants who do present problems to landlords, and there are such people. The same as there are good landlords and those who are not quite so responsible, there are tenants who are not quite so responsible. I have one case in my own constituency where one lady owns a duplex, just two apartments. She needs the bottom apartment for her elderly mother, and she cannot evict what she considers a less than responsible tenant.

Could you tell us a little bit about your experience about your inability to remove somebody who is not helpful to either yourself or the tenants?

Mr Demsky: Generally, unless they are completely off the wall, we try to keep a tenant. I do not like turnover. You cannot kick a tenant out for making noise. You cannot kick out tenants for any illegal activity until it has gone through the courts, which takes a year or two and they are sitting there.

If they do not pay their rent, usually you talk to them, you try and give them a break, but you know, you cannot give them a break because it costs you too much money. So on the seventh day you start by giving them an initial

notice. Then you have to wait 20 days, so now you are in the 27th day. Then you have to go give them a notice, then you have to go back to the court and swear an affidavit that you gave them a second notice. Then you have to fill in a third notice and it has to be posted a certain way. You almost have to use a certain type of Scotch tape, I do not know. Then by the time you get a court date and the judge listens to it, if in fact you have crossed every single dot, because they are very sympathetic to tenants and God help you if you make a mistake, you can maybe get the tenant out in two months. That means that you are going to lose a month.

Then of course the tenant has had a couple of months to get angry at you. God forbid, you are a rich landlord; what do you need your rent so badly for? They do not seem to understand that we have mortgages, taxes, heat and hydro and all the rest of that stuff to pay.

So then there is usually damage. Then you cannot show the apartment while you are evicting because they will not let anybody through. So you have to get them out. Then you have to clean it up, possibly repaint it and do some minor repairs, so it has to sit vacant while you are doing it. Then you have to advertise it and generally, I would say that on average, if you are lucky and you get through the court system really fast and make no mistakes, you are going to lose two months' rent to get one person out.

Mrs Y. O'Neill: And you are paying your own costs in the court.

Mr Demsky: Of course. Believe me, I will tell you, one thing we do not get is legal aid.

Mrs Y. O'Neill: Thank you very much. You have brought forward real problems.

Mr Demsky: If it is a welfare person, I can take him to Small Claims Court—but they have no credit rating anyway—and go ask the government and say, "They spent their rent on this or they spent their rent on that, but they didn't spend it on their rent, so give it to me." They will say, "Oh, I am sorry, we can't do that."

Ms Poole: I will make this very quick, Mr Demsky. Thank you for your presentation. I think you have made a number of good points. There are three of them that I would like to point out.

The first is that you have said that not all landlords are either good or bad. Like any other profession, you have lots of good ones, you have some bad ones. Although I have spent a lot of my time representing tenants with some of the problems they have, because that is the makeup of my riding, I also appreciate there are a lot of good landlords who are doing a good job and I do not want them to get out of the business, and I think you have made that point very well.

The second is that you have asked us to be fair and balanced with our legislation, not to be pro-landlord or pro-tenant but pro the people of Ontario. That is the third point, that we as MPPs have a duty to represent all the people, not just one interest group. I am quite disappointed to hear your comments that the Minister of Housing had said publicly he did not represent landlords, because I

think we each have a duty to represent all the people in our riding.

Mr Demsky: That is on tape, by the way.

The Chair: I want to thank you, sir, for appearing before the committee.

WEBBWOOD TENANTS ASSOCIATION INC

The Chair: Moving along, Webbwood Tenants Association Acting for Town and Country Mobile Home Park. The committee has allotted you 20 minutes, 10 of which can be used for your presentation and 10 minutes for questioning. Please identify yourself and what position you hold with your organization.

Mrs Hasson: I would like to begin by thanking the committee for allowing me to appear today. My name is Ann Hasson. I act as vice-president for the Webbwood Tenants Association Inc. The association was formed in 1976. In July 1985 the trailer park was sold and its name changed to Town and Country Mobile Home Park. We continued to act as the Webbwood Tenants Association Inc Acting for Town and Country Tenants. Our main objective at this hearing is to illustrate the fact that maintenance problems are not new in regard to landlord-tenant issues.

For the first four years under new ownership, the base rents at Town and Country remained at the previous owner's rate of \$177 a month, although we did not enjoy the same services as provided by the previous owners. In the past two years our base rent has increased by the allowable maximums and our landlord is now proposing to raise our base rents by the allowable maximum, 5.4%. However, we as tenants have endured rent increases without benefit of continued proper maintenance services or without any expanded preventive or restorative maintenance.

1030

Now, I would like to share with you some of the misfortunes suffered by Town and Country Tenants, all associated with improper maintenance or neglect.

1. Due to the fact that there are very few driveways, the greatest majority of tenants must park on the streets. On the rare occasions that our landlord performs snow removal service, a lot of the cars are blocked in, because the roads are plowed down the middle only. We are not advised prior to any service so that we have an opportunity to move our vehicles. In fact, we have not even had snow removal this winter season, but in the past, often the snow is simply left at the end of a street where we are forced to either attempt driving through it or around it. Further, the roads are never sanded or salted, even in extremely icy conditions.

2. The roads themselves are full of huge cracks and potholes that are never properly repaired. They are sometimes filled, but the repair never lasts long as the mixture used to fill the holes breaks away.

3. During the last two months the landlord has finally begun to repair the street lights. We are certain this is a single attempt to appease us due to the fact that he intends to increase our base rent. Unfortunately, some of these lights have not worked for many months.

4. During heavy rainfall and spring thaw, we suffer excessive flooding in the south section of the park. We had an incident recently where a woman and her infant were forced to remain in her car, because she could not get out due to flooding.

5. We have no after-hours emergency number. Our manager does not live in the park and seems to be on duty at her discretion. She does not work any specified days or hours. We had an incident where a tenant's pipes burst on a Friday night. He called the township, but they said they could not help in a private park, therefore the water ran from Friday night to Monday, when the manager became available to provide the necessary key for turning off the water.

6. Laundry facilities are available only during the hours that the manager is on duty. Many tenants work daytime hours, therefore the facilities are of no use to the majority of the tenants needing the service. Even at that, the machines are not in good repair. Presently, 2 out of 10 washers are in working order.

7. The community swimming pool is often only open for three or four weeks and must be maintained by the tenants.

8. New tenants moving into the park are charged a \$75 fee and after 10 days, charges of \$1 a day are applied to late rents.

9. If any tenants complain to the landlord, he simply tells them if they do not like it, to move or he will evict them. We are forced to live under threat of eviction, which would sometimes seem an appropriate solution to our problems if there were sufficient suitable alternatives.

10. If we have a complaint concerning another tenant, whether it be large or small, a letter must be submitted to the office. If at any time our landlord must take the person being complained about to court, our letters are used as evidence. This makes for a very cautious neighbourhood when considering making a valid complaint.

I feel that I have shown the committee some of the outrages and inconveniences suffered by tenants whose landlords ignore their responsibility to properly maintain their holdings as directed by the present Landlord and Tenant Act. The damage from negligence causes increased costs when the repairs are finally done, thus making it seem that the landlord has had expenditures exceeding ordinary operating expenses.

I respectfully request the committee to join me in support of Bill 4.

Ms Harrington: I wanted to ask you, first of all, where your trailer park is located.

Mrs Hasson: It is here in Windsor, between Windsor and Belle River on Highway 2, just outside of Tecumseh.

Ms Harrington: How many units would there be there?

Mrs Hasson: There are 217.

Ms Harrington: Can you give us a little bit of history as to how the rent has been increased over the last little while?

Mrs Hasson: When Mr and Mrs Geisler bought the park in 1985 our base rent was \$177. That is our base rent.

Ms Harrington: In 1987?

Mrs Hasson: No, 1985. Then we pay our taxes and our water on top of that to the owners. They left the land rent at \$177 for the first four years. Then two years ago we had an increase, the maximum. This year he is proposing another increase. So this will be three. If he gets this one here, this will be three in a row.

Our main contention is, we do not feel that he should not have a rent increase; all we feel is that if he is going to keep continually getting rent increases, he should maintain the park better than what it is.

Ms Harrington: So what you are bringing to us, the government, is that the normal operating increase should cover all maintenance and it should be made sure that people do their maintenance before they get this increase. I just wanted to point out something following up from the last presenter, which is that the relationship between the landlord and tenant is very important. He likened it to a business and customer relationship, and I think that is correct.

Mrs Hasson: That is right.

Ms Harrington: We want good landlords. We want people who are in there to operate these, whether it be a building or a trailer park. We do not want landlords who are there to sell the building. That is not their primary objective. He did bring up a good point about licensing, so we will think about that. Thank you very much for coming.

Mr Lessard: Just following up on encouraging a good relationship between landlords and tenants, if you are living in an apartment building it is a bit easier to pick up your belongings and move somewhere else.

Mrs Hasson: Right. We do not have anyplace to go.

Mr Lessard: You have mentioned eviction of people living in trailer parks. Have you run into any examples of that, or can you explain what persons who live in a trailer are supposed to do if they are evicted?

Mrs Hasson: I really do not know what anybody in Maidstone township would do if they were evicted because there are no available spots to put any mobiles. In Town and Country there is Suncrest at the other end of East Pike Creek, but there are no available empty spots. So if you are evicted out of a park with your mobile—I do not know where we would go.

Mr Lessard: Has there been any contact with the building authorities in Maidstone township about doing these repairs? I know that for buildings you may be able to contact them; they might make a work order. Does that sort of procedure follow in this trailer park?

Mrs Hasson: No. As far as in a mobile home park, our trailers are owned by us alone. We maintain our own trailers, so we keep them up. Maidstone township does not have any control over him doing anything with the streets because it is a private park. We cannot even have the OPP come in and stop speeders or anything because they do not have the jurisdiction.

Ms Poole: Thank you for your presentation today. You have outlined some of the inconveniences and what you

refer to as outrages that have been caused by your landlord, who has given you a great deal of difficulty. How do you see Bill 4 as helping the situation?

Mrs Hasson: To be honest with you, I am not really up on all of that. All I can say is that we would just like our landlord to take care of the necessary things. I cannot answer anything else.

Ms Poole: I guess that is a concern all of us share. For the landlords who are making it extremely difficult for tenants and who are not properly maintaining their properties, how do we not only encourage but in fact force them to do the proper maintenance? One of the problems I have with Bill 4 is that what it does is impose a rent freeze where landlords can just get a statutory guideline and it really does not have any mechanism to solve the problems that you are talking about.

Mrs Hasson: I know.

Ms Poole: That is why we would like to see some amendments to Bill 4 to make sure that we are looking at the abusers of the system, those like your landlord who are causing you difficulties.

1040

Mrs Hasson: I am not objecting to our landlord getting whatever, if he would maintain and spend some of the money in the park, but in the years he has owned the park he has not done anything with the roads, and lately with the streetlights. Things just keep getting worse and worse.

Mrs Y. O'Neill: Have you operated at all under the other act, the Landlord and Tenant Act? Have you tried to get any redress at any other level than making a presentation to this committee?

Mrs Hasson: Not with these new owners. When it was Webbwood Mobile Home Park, we had to go through rent review and everything, but not with the new owners since 1985.

Mrs Y. O'Neill: So you are still waiting for some redress. You have a tenants' association. Do you meet regularly with your landlord?

Mrs Hasson: No. He will not meet with us.

Mr Tilson: I think we are disappointed in the government's position with respect to Bill 4 and its lack of sensitivity towards the tenants of the mobile homes. There was a case I referred to earlier which simply ruled that the people in your situation would not be subject to rent control. Bill 4 says that is not true. They have changed all that. They have said that the mobile home park is subject to the regulations under Bill 4.

At first blush, that seems good, but I do not think they have gone far enough. I would like to hear your thoughts, because I think there are going to be some tenants like yourselves who are going to be in very serious situations, because you are different than the apartment building. The mobile home park has its own hydro, its own water system, its own septic system, its own sanitary systems. The Ministry of the Environment is very strict about these sorts of things. If they are not up to standards, they can insist they be rectified, that they be fixed. Bill 4 says: "Sorry, we're not going to allow for capital expenditures. We're

going to discourage capital expenditures." That will result in unbelievable costs.

The public health authorities, therefore, if those matters are not rectified, can literally come in and close the place down as being unsafe—not healthy, you can get sick—which would result in your being a special case, unlike apartment renters, because you have no place to go. If an apartment building is closed down, there are other apartments; there are always vacancies. But really, you have no place to go. You, the landlord, will all lose your life savings and you are literally going to be out on the street. I would like you to comment on that.

Mrs Hasson: I do not honestly know how to answer your question. As a tenant, I have been in the trailer park since 1978. At the moment, I am paying a base rent of \$193.84, but with taxes and water it comes to \$279.42. If he gets the 5.4% he has applied for, it is going to be over \$300 just to sit on that tiny piece of land.

Mr Tilson: There is no question it is a major problem. I only hope your water system, your septic system and your hydro system hold up, because if they do not, under this government's legislation you are going to be out on the street.

The Vice-Chair: Thank you very much for appearing before the committee today. Your information was most helpful.

FEDERATION OF WINDSOR-ESSEX COUNTY TENANTS ASSOCIATIONS

The Vice-Chair: The next presentation will be made by the Federation of Windsor-Essex County Tenants Associations; Joe Krall, acting chairperson. Your organization, being an umbrella group, is being given 40 minutes to make its presentation to the committee. You have 20 minutes for your presentation and the committee will then discuss your presentation with you for 20 minutes. Please identify yourself for the purposes of Hansard.

Mr Krall: My name is Joe Krall. I am the acting chairperson of the Federation of Windsor-Essex County Tenants Associations. Our thanks to the committee for allowing this federation to make a presentation today.

In the past four days, we have circulated letters of support for Bill 4. I have 811 copies, many with multiple signatures, that I wish to leave with the committee today. We further endeavour to continue this until the end of the Bill 4 debate. We will definitely present many more to the committee. I beg your indulgence, as my presentation may run as long as 21 minutes.

At the onset, we wish to clearly affirm our support for Bill 4 as it is an excellent short-term remedy for a system which is completely inadequate. Within the confines of a 20- or 40-minute presentation, it is impossible to make detailed proposals towards meaningful permanent legislation. As such, we will devote the bulk of this presentation to depicting some of the many flaws of the RRRA and the devastation it inflicts on tenants. We will also explore some of the comments from a well-heeled landlord lobby effort against Bill 4.

It is important to put this situation into the proper perspective. Most of these problems are not new. The

previous Conservative and Liberal governments have both enacted legislation to address many of the concerns being brought before you today and throughout these hearings. The RRRA currently in place and its predecessor legislation have failed to address these problems in a manner equally fair to both landlords and tenants. This is not a partisan comment, rather a fact which has been echoed by many landlords and tenants alike.

It is important to note that our intent is not to paint all landlords with the same brush. Many are hardworking, honest people and we will not suggest or imply that all or even the majority are abusers of the RRRA. Were this the case, we would be known as the homeless province. However, most landlords who do abuse the system do so with such regularity and severity that the impact on individual tenants is almost incomprehensible. We will concede that all abusers of the system are not doing so to get rich quick. Some do so to avoid bankruptcy and losing everything. However, financial problems of this nature are almost always indicative of poor management, overspending or speculation, and it is totally unfair to condone the abuse and the financial devastation of tenants under these or any circumstances.

Who are the culprits? Is it the bureaucrats? Perhaps some, who choose to turn a blind eye towards reality, to defend party lines and allied special interests. Is it the landlords? Perhaps some, who abuse the system for quick profits without any social conscience. Is it the tenants? Certainly not. It is not possible to pass blame on to the real victims of this abuse.

Is it the landlords' agents or rent review consultants? Yes, perhaps the biggest culprits in this sad situation. We will not group all of them into the same picture, as we are certain there are some with morals and ethics who are only practising a trade and trying to provide for themselves and their families. However, the profiteers within this group taint all legitimate operators. Some are previous rent review administrators who have mastered a very complex system, proficiently learned all of the ins and outs, then leave their entrusted positions to exploit and abuse the system for personal profit. Unfortunately, the RRRA has left open avenues of abuse. Some agents aggressively entice landlords to use the system and of course their high-priced services to ensure additional profitability and huge cash rewards.

It is hard to blame a landlord who has had many thousands of dollars dangled in front of his face for being enticed to abuse the system. While we do not solely blame this landlord, we do not have sympathy for his plight caused by Bill 4, nor is there any responsibility by our provincial government to bail out or legislate an escape for these particular landlords. Our legal system is far from perfect. However, landlords in this predicament should be encouraged to commence legal actions for costs and damages against these ruthless abusers who aggressively enticed them into these applications and made promises that Bill 4 will not allow them to keep.

1050

As we are apportioning blame, we cannot overlook certain landlord lobby groups. Admittedly, there are some

model landlords within their ranks. However, many who belong to and fund these groups are the most regular and worst abusers of this system. Their real agenda is to protect the loopholes in the RRRA, thus preserving the future abuse potential for their members. They pull out no stops, distort the real picture and portray themselves as the champions of safety, labour, fairness, affordability and yes, even tenants. These groups have lots of cash, as many of their members have been made rich courtesy of the RRRA.

Most advertisements and media releases from them have been humorous to anyone who knows the whole story, as they are quite proficient at distorting the total picture. One group has really shown its true colours. We are all familiar with the "Investors Beware" advertisement which was placed in the Wall Street Journal. On the surface, this could be considered the epitome of childish responses. Much deeper, it borders on treason to blatantly discourage investment and maliciously attempt to destroy our economy in this manner.

What will they do next? We are not certain we want to find out. We do feel that the actions of this group will prompt this committee, the media and the public to discount them as having any semblance of credibility or being in any way representative of all landlords in this province.

Before proceeding with specific problems within the RRRA, we would like to offer a challenge to this committee and to every MPP within this province. We challenge you not to look at this situation through your prospective party lines but instead to analyse the entire range of evidence submitted at these hearings. Then ask yourself, "Who are the legitimate victims?" and, "Will Bill 4 provide fair short-term relief for the majority of problems within the RRRA?" Anyone who fully accepts this challenge will have no choice but to admit that tenants are the legitimate victims and to support Bill 4 as an effective short-term remedy to a very complex problem.

The RRRA offers many opportunities for abuse. Capital expenditures is the first one we will explore. Without regard to the necessity or the desire for these improvements, a landlord has the opportunity to pass on the costs of the capital expenditure to the tenants. These may be for purely cosmetic purposes, to simply improve the value of the landlord's property. This is the first of many forced withdrawals that are available from the "Tenants' Bank and Trust." Once the value of the property has increased through a capital expenditure at no cost to the landlord, he is encouraged to sell the property and realize this value appreciation in cold, hard cash.

Logic would dictate that as tenants are the sole contributors towards this increase in property value, they should at least share in the windfall once it is realized, but alas, this is not the case. The RRRA allows for withdrawals only and not deposits to the "Tenants' Bank and Trust."

This leads to the abuse of financing costs. A prospective buyer is able to pay virtually any price for his acquisition and cover the increased costs courtesy of yet another forced withdrawal. This loophole leads to inflated property values, which increase the vendor's net worth and the amount of the withdrawal from the "Tenants Bank and Trust." Once the property value has been artificially raised

to a certain point, new investors are actually scared away, as there are limits to the amount of rent that can be justified or paid. In this manner, the RRRA has been limiting legitimate investment for years. This flaw also encourages phoney, non-arm's-length transactions to gain the initial cash and the substantial increase in gross revenues.

The RRRA legislates other withdrawals. A landlord can spend frivolously, ignore all the rules of good business sense and make a withdrawal to guarantee his profitability. When the landlord decides to make the rent review application, he again has a legislated right to make another withdrawal. Yes, he is even able to subsidize or cover his costs to raise the tenants' rent.

Let's examine the status of the "Tenants' Bank and Trust." It would seem that there is an endless supply of capital. Not true. No deposit insurance available from the RRRA. Many branches have closed their doors. Many others are on the brink, and the balance is praying that our elected officials will do the right thing and limit and legitimize the withdrawals by supporting and legislating Bill 4.

At this point in my presentation, many would think that most landlords in this province have gotten rich quick. Not true. Some have gotten very wealthy, others have gained by varying degrees. Thankfully, many do not exploit the system for a variety of reasons.

First, the system and its loopholes do not offer all landlords an equal opportunity to cash in on this bonanza. The smaller a landlord is, the less likely that he will be able to justify the costs of retaining a high-priced agent to prepare his personal letter to rent review Santa. Mercifully, there is a \$25-per-unit limit, which precludes many from taking advantage.

Next, there are many landlords who are honest, legitimate operators. These have found that they are able to be profitable as a result of sound, ethical investing, competent management and, of course, hard work.

Further, there are many landlords who are still ignorant of all the opportunities afforded to them by the RRRA. Sadly, this number is decreasing rapidly due to the debate on Bill 4. Since the announcement on 28 November and the resulting media coverage, many more have learned of these mail-order opportunities for financial security and will exercise them should Bill 4 be altered or trashed.

This puts an even greater responsibility on this committee and all MPPs to ensure that tenants receive at least the protection afforded by Bill 4 before the floodgates open even wider.

Where will the landlord find the money for capital expenditures and maintenance? Most will find it right in the existing rent levels. Landlords openly admit that the vast majority do not make rent review applications and that the guideline increase is more than adequate. Why is this the case? The answer is simple: The guideline has given landlords inflationary increases on their gross revenues. His operating costs, which include routine maintenance but not financing costs, usually average just above 50% of the gross revenues. Necessary major capital expenditures do not occur annually, nor is their life expectancy short. Yet a landlord is able to neglect routine preventive maintenance, then take every last nickel of surplus revenues for his prof-

its. He is then able to force the tenants to bear the full cost of a capital expenditure when it is done in a subsequent year. Even worse, the increase allowed for the capital expenditure remains in the rent levels indefinitely, only compounding these disparities. In this manner, many landlords have been able to take two bites out of the apple by raping their business to maximize personal gain and then passing every extraordinary repair or improvement cost on to the tenants.

Almost all capital expenditures improve property values. Tenants pay the cost, landlords gain the profits. There must be a landlord financial participation towards capital expenditures. Money must be set aside.

A capital reserve fund is one possibility. Another would be to completely remove these from the current maximum legal rents and treat them separately. Total rents would fluctuate as the tenant portion of an allowed, legitimate capital expenditure was approved or paid in full. We are not certain that the fluctuating aspect of this concept is desirable. However, there would have to be landlord participation and the costs would not remain in the rent levels indefinitely.

Much ado is being made regarding retroactivity. We will leave the lengthy legal jargon to the experts, but do have a few comments. To begin, we do not feel there is any measure of retroactivity pertaining to any application, order or appeal which has not completely surpassed all ministry or legal deadlines for challenges. Further, there are no guarantees anywhere that declare an absolute, infinite right to any legislation, nor is anything contained in the RRRA to guarantee against its being pre-empted. Bill 4 will do what all legislation should: protect the residents of this province from the deficiencies of predecessor legislation and undesirable elements of society. Bill 4 does both.

Further, the RRRA disbanded the Residential Tenancy Commission and made the minister directly responsible for rent levels in this province. In so doing, the Liberal government of the day empowered its minister and all subsequent ministers, including the Honourable Dave Cooke, to adjust rent levels to levels that they see fit, when they see fit to do it.

The vast majority of landlords who are adversely affected by retroactivity are abusers of the system. Speculation in all forms carries big risks. Neither our government or tenants have any further responsibility to abusers of this system. If we are to discuss any real retroactivity as it pertains to the RRRA, we must again refer to the thousands of tenants who have been forced to pay huge retroactive rent increases, thanks to the RRRA.

1100

By design, this presentation has been void of local horror stories. I am certain that some of the tenants here today will share those with you. I will, however, briefly mention one group, Shoreline Towers, which is unable to be here today. Shoreline Towers is a 197-unit, high-rise apartment complex on Windsor's east side. Originally it was a seniors-only building and is still populated by 90%-plus senior tenants.

Following the sale of their building, these tenants found out that their landlord had made an application for a

60% increase in their rents. To a senior who is already paying over 50% of his gross income on rent in many cases, this is an especially devastating situation. Even worse, this application is based on unnecessary capital expenditures and financing costs and appears to be wholly designed to make a Toronto developer rich. This application is still in the hopper, pending what happens to Bill 4. Need I say more about this grave injustice?

Let's broach some of the comments made by opponents of Bill 4.

First, "Bill 4 will have devastating effects on labour and cause large-scale job losses." Very overstated. Most landlords by their own admission deal with maintenance and capital expenditures without special rent review applications and will continue to do so unless coerced into a maintenance strike or other such nonsense by landlord lobby groups that have refused to accept reality. We do expect that system abusers will cancel some capital work which will affect some of the labour force once Bill 4 restricts their ability to pillage the "Tenants Bank and Trust." We deeply regret any detrimental effects on labour and are sorry that landlord lobby groups have chosen to turn labour into pawns for their political chess games and personal gains.

Next, "Abuse of the RRRA is small." Absolutely false. The average rent increase in this province is close to 11%, more than double the guideline. This statistic alone tells you that if most or 75% of all tenants escape with only the guideline increase, the remaining 25% must be getting socked pretty good to affect the average this dramatically.

Next, "Bill 4 will stop construction starts." Again, absolutely false. For years the private sector has found it unprofitable to build low- to moderate-rent units due to rapidly increasing construction costs. This has been a steadily increasing trend at least since the mid-1970s and has no relation to Bill 4. Particularly with a crisis situation regarding homelessness, all levels of government must fill this void.

In summary, Bill 4 will effectively deal with many deficiencies contained in the RRRA during the moratorium period. Landlords who properly manage their business will not be legitimately disadvantaged by Bill 4. Landlords who are involved in holdings which are currently or were previously abusive of this system will likely suffer extreme financial aftershocks from Bill 4. Frankly, we are unsympathetic towards the plight of these particular individuals.

When public consultation on permanent rent legislation begins, there will have to be a much higher level of accountability required. The present system is far too much of a rubber-stamp operation, which only cries for abuse. No one, including this federation, denies a landlord the right to make a profit on his labours, but this should be conditional on his ability to make sound ethical business decisions, not his ability to hire a high-priced professional who knows all of the angles. Should there be limits on the level of his profitability? No, but he should be required to contribute towards capital expenditures. The landlord who makes the best investments and runs the tightest ship should reap the highest rewards. Presently, the highest re-

wards are being claimed by opportunistic high rollers whose only concern is turning a fast buck.

I cannot stress enough that it is both morally and ethically wrong to legislate a licence to take money under false pretences, as happens often under the RRRA. It is also both morally and ethically wrong not to correct this situation now that you are aware of it.

Bill 4 will provide an effective remedy, but not a cure for the ills of the RRRA. The cure will require months or perhaps years of intensive input from all interested parties. Clearly, it is better for both landlords and tenants to have an end to the uncertainty.

I assure you these issues are not local. The opportunities exist across this province. Many that I have discussed originate in Metro Toronto, but they have certainly found their way well into Windsor and many other corridors.

In the best interests of 3.5 million tenants and legitimate landlords across this province, we implore you to vigorously support Bill 4.

Mrs Y. O'Neill: Mr Chairman, on a point of order: Mr Krall has made some very sweeping accusations and they are to landlords. But the one that I have difficulty with is on page 2 regarding the bureaucrats. I think we, as committee members, should remind Mr Krall before he begins with the questioning that we as MPPs of the Legislature of Ontario have immunity; he does not.

The Chair: Any further discussion on the point of order?

Ms Poole: I would like to begin by correcting for the record a statement which you made in your brief, I am sure inadvertently. On page 9, you said that the average rent increase in this province is close to 11%, more than double the guideline. Actually that statistic is totally incorrect. The average rent increase of those units going to rent review is 11%. The average rent increase across the province is somewhere in the vicinity of 5.8%. I think that quite seriously changes the comment that you are making in that paragraph. I would like to reiterate that the average rent increase only for the 16% to 17% per year of units going to rent review is 11%. That does not include all those units which are under the statutory guideline, whether it be 4.6% or 5.4%.

Mr Krall: If I can respond just for a second, if I am incorrect I will apologize and I will say that I have heard that statistic quoted many times by the previous government, by many people who did not explain it as eloquently as you, so there certainly was no misintent with the way I have done it.

Mrs Y. O'Neill: And less than 20% of the rentals go to rent review in any given year. That is the other part of that story.

Ms Poole: We can appreciate that. There are so many statistics floating around that we just want to make sure there is no misunderstanding about what we are dealing with.

The second comment I want to make was regarding page 5 of your brief, where you commented about the problem of a landlord who passes through the capital expenditures and then is encouraged to sell the property and

in fact flip the building. I am not sure if you are aware of it, but late last spring Mr Sweeney, the former Minister of Housing, did bring in regulations which I think went a long way to curtailing this problem.

The effect of the regulation was to say if a landlord sold a building within five years of getting a rent increase due to capital expenditure, that the landlord would not be able to double-dip and get both those, that there would be a formula where the tenants would get relief from what they had to pay for the capital expenditure. Just to reassure you, I think that regulation has probably cured a lot of the problem. The thing is it has not been in effect long enough for us to really tell.

Mr Krall: I definitely disagree with that statement. The main influx of the legislation last spring was to put some special limitations on bonuses that landlords did receive, management and administrative bonuses. It put some restrictions but it also increased the amounts.

Ms Poole: You are quite correct in that. That was part of the regulations. But there was a specific regulation which dealt with the problem of flipping a building after getting the rent increased. I am quite familiar with the regulations because I sat on the committee that looked at it at the time. I think you would find that problem, which I think historically has been a very severe one, has been mitigated by that.

I think Mrs O'Neill wants to ask you about the retroactivity.

The Chair: I do not think there is time for Mrs O'Neill. I am sorry. We are on seven-minute rotation. Yes, we do have time. My apologies.

Mrs Y. O'Neill: You have been doing very well this morning, Mr Chairman, keeping us on time.

Mr Mammoliti: I agree.

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Ms Poole: You have stated a number of times in your brief that you believe that many landlords are honest, legitimate operators and are not abusing the system, but you really want to deal with those who are creating enormous difficulty for tenants. One of the difficulties I have with the legislation is that it does not differentiate good landlords from bad. It treats them all in the same kettle.

Can you tell us, if you feel that there are those who are seriously abusing the system, why this legislation should not deal specifically to curb those abuses as opposed to spreading out this wide net which says every landlord, legitimate or not, cannot be reimbursed for capital expenditures?

Mr Krall: The first thing I want to say to that is I feel that again in the confines of this presentation, I only barely scratched the surface on issues that we feel are very awful issues in regard to Bill 51.

I do not believe that you can, except for a short-term period of time, address the majority of what are legitimate concerns. The main problem with the situation as it stands right now is there is an absolute legislated guarantee of profitability and that is not fair. That is completely falling on the tenants' backs.

If the government were to provide the capital for this legislated guarantee, it would still affect all the individual taxpayers. The problem is it is falling on the backs of individual tenants and absolutely destroying their lives.

Mrs Y. O'Neill: Have you been watching the hearings on television?

Mr Krall: I saw parts of one day, which was last Thursday.

Mrs Y. O'Neill: I have difficulty, having sat here and seen every single witness to this point—on page 8 you say "The vast majority of landlords who are adversely affected by retroactivity are abusers of the system." That is certainly not the kind of witnessing we have been hearing. We did not hear that kind of witnessing yesterday in London. We have literally had people break down and they are small landlords. You make no differentiation between small and large landlords. I feel that is really an unfair accusation.

Mr Krall: If I can respond to that briefly, we certainly concede that there are some people who are caught in a bad situation as a result of this. I do make reference to small landlords. I perhaps do not in that particular paragraph but small landlords are without question the most adversely affected by this. I will suggest to you that there are even some of the ones who have appeared before this committee who have paid too much initially for their property, who even before they bought it—

Mrs Y. O'Neill: That is your judgement. They did not think so, and investors have a right to make their decisions.

You go back to retroactivity. You are suggesting that the retroactivity of Bill 4 should be compared to the retroactivity of Bill 51 in regard to applications, orders and appeals. I think those are very unfair comparisons.

As you know, Bill 51 and all of those things you mentioned, whether they be orders, appeals or applications, have notices. There was no notice given regarding retroactivity in any shape or form. This came upon us very suddenly.

How do you feel about the principle of retroactivity—clawback, I like to call it—as far as this bill goes? Would you like to talk to us?

The Chair: You have time for a short answer.

Mr Krall: All I am going to say there is that in the case of very legitimate disadvantaged landlords, I feel badly for them. Personally, Bill 51 has in sections 71, 74, and 75 given some very, very powerful rights to the minister—another flaw of Bill 51 perhaps. But it did give some very sweeping powers to the minister.

Mr Tilson: I have been a landlord, I have been a tenant and I have been an owner of a single-family house. I have seen terrible landlords and I have seen terrible tenants. I must say that, sitting as a legislator, I try to look at the overall effect on our economy, the overall effect to tenants, the overall effect to landlords.

Obviously, you have a vested interest. I understand that. But from my perspective in trying to be critical of the government's legislation and trying to look at it from an overall perspective, it was not just from the landlords'

point of view or the tenants' point of view or the investors' point of view the point of view of the people who are losing jobs or the people who are losing contracts, everyone. But I understand where you are coming from.

I also understand, having seen the terrible situations that tenants have been put in as a result of landlords' actions, how cynical you have become over this. I say that with due respect, but you appear to be terribly cynical over them, and I understand that because there have been some terrible situations described to us.

However, this committee is designed to review Bill 4, not the overall legislation, and I would like with my question to direct your thinking to that. What we need to do is to increase the housing stock. How are we going to get better-quality housing stock? I do not see how this legislation is going to encourage certainly private enterprise housing stock. A landlord would be simply crazy to build an apartment building, absolutely crazy.

The other alternative is for the government to build non-profit housing, to encourage that type of housing. Of course, the NDP in the last election promised that it would build 20,000 units this year. Yesterday the minister said, "We won't be able to meet that promise." So this bill, on the one hand, discourages private enterprise, and yesterday it was made quite clear that the government is not going to be able to honour its promise to build the non-profit housing that it was promising.

I would like your comments, dealing specifically with Bill 4, as to how this piece of legislation, in your view, and you are quite strong in your views, is going to encourage the construction of new housing units.

Mr Krall: This bill will not encourage the construction of new housing units in low- to moderate-rent situations. This is not a simple situation of capitalism versus socialism. Realism has to come into the picture.

Mr Tilson: I quite agree.

Mr Krall: Everyone has to realize that costs are too high to build buildings which are at levels of rent that are required by society. Why are they required? The reality is our economy, wages, everything is indicative of all levels of government and its actions. In that respect, government has a responsibility, whether it be through building or subsidizing the building of, to ensure there are units people can afford without getting thrown out into the street.

Mr Tilson: I understand that and that is why I get to the situation with this specific legislation. The benefits of Bill 4 do help the poor tenants. They also help rich tenants, you know, and that is a major, major flaw in the legislation. The rich are going to get richer and the poor are going to get poorer. There are rich tenants around this province who are just laughing at this bill. They are laughing, with their fancy cars and their fancy way of life and their rents frozen. Do you have any comments on that?

Mr Krall: Yes, lots of them. The first thing I would say is I think that all residents of this province, through this or any legislation, should be afforded the same benefits, the same courtesies, the same protection. Personally, I cannot see why you cannot legitimize something simply because the rich will get richer. I think, if tenants are in a

position where they spend far less of their gross income on rent, some of those are doing so because they want to save a lot of money. Others do so for a variety of other reasons. Personally I do not think that is a valid point. I do not have a problem with the rich tenant gaining also from this legislation.

Mr Tilson: At the expense of the poor tenant?

Mr Krall: I do not see how you can make that statement.

Mr Tilson: The rich are getting richer.

Mr Krall: But how will Bill 4 make rich tenants richer at the expense of poor tenants? I do not understand.

Mr Tilson: I think you have to acknowledge that what we are trying to do is to solve a social problem. We have people in this province who cannot even afford to pay any rents at any rate. You can pass Bill 4 and we are still going to have tenants who are on the food lines and who literally cannot pay for their housing. Bill 4 does not solve that. On the other hand, you have rich tenants reaping the benefits.

Let me ask another line of questioning, sir, and that has to do with your comments on retroactivity. We have had people come to us, landlords specifically, who have followed the government's rules. They have completed their renovations. They have in some cases paid for them. They have received the tenants' approvals. It is all set to go and Bill 4 comes along, is made retroactive, and says, "Sorry, you're out the door." We have had landlords come to this committee, and it is terribly sad. I acknowledge there have been some sad situations with tenants. Again, I am trying to look at it as a legislator, looking at everybody's point of view, and there have been some very sad situations. A man sits in front of you and cries because his life savings are going down the tubes and he is in his late 50s and there is no way he is going to recover from that. Is that fair?

Mr Krall: No, I am going to say there are cases where it is not fair, but I will also say to you that simply because somebody follows the rules, when those rules are grossly in error and those rules allow them to seriously disadvantage individuals, that is also not fair. That is where we draw the line, and I do not feel sorry for anyone taking advantage.

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Mr Mammoliti: This committee has travelled for two days now and we are going to be travelling a lot more to listen to other people such as yourself. In the past two days we have heard some extensive argument, mostly in London and some in Toronto, about how the cry from tenants and the abuse from landlords only happens in Toronto, and that around areas in the province, perhaps such as Windsor and London, it is not happening as much or it is not happening at all, in some cases. One person here today touched on that. How do you feel about that argument? I am trying to get a grasp myself about whether it is just.

Mr Krall: I can approach that in many ways. It is ludicrous to suggest it is a Metro Toronto issue only. Some things certainly originated in Metro. Even if everything originated in Metro, they have very much spread to all areas of this province. I am an interim council member

with the United Tenants of Ontario, and we certainly deal with tenants as far north as this province reaches and in every direction. The stories are the same, the circumstances perhaps a little different, the severity sometimes a little different. But I would suggest that even if that were true and this were solely a Metro issue, it is not morally correct to let it go on. I do not think that has a lot of relevance, but it is incorrect to begin with.

Mr Mammoliti: So what you are telling me here today as well is that you are very experienced and that you know what you are talking about when it comes to Ontario, as opposed to just Windsor. You have some experience in dealing with this issue.

Mr Krall: Yes, I would say indirectly. I do not profess to be an expert on the system. I am still a novice in many respects. Personally, I have about a one-year really heavy immersion into this situation. Where I live, we are very adversely affected by the system, and that immersion has caused me to have contact with many tenants and get involved as long as I have.

Ms Harrington: The last point you made I found very useful. This is what we have heard from a lot of landlords, "We have followed the rules," and you have made the point that those rules in the first place were unfair. I think that is something we have to look at. What you have said is that there has been abuse, abuse, abuse, and that is true. This is what we have been hearing. You also went broader than that and explained that there are good landlords and we want them and we need them in this province, and that is very obvious.

But it is true that there may be a landlord, and more than one, who will have to declare bankruptcy and lose his building. This is unfortunate but this is the way life is. At the same time, we want to realize that there are, for each one of those landlords, hundreds of tenants who are losing their homes, and that is worth something as well.

It is not going to be easy. I think you realize that. I want you and everyone else we have listened to and who is interested to be involved in this ongoing process. This is interim legislation. We have to look very seriously and very honestly to the future of a system that will work. Would you like to comment on that?

Mr Krall: Absolutely. We would certainly concede that there are some, we believe the numbers are few, of legitimate, hard luck cases. I would suggest that perhaps there is an obligation on this government to make some moneys available to very legitimate cases. There would have to be very strict rules. You would have to ascertain that this building had not adversely used the system through that or a previous landlord. If the person overpaid on fair market value in the first place, he deserves no subsidy; it is a foolish, speculative risk. But for the one legitimately hurt, the government is responsible for the system and I think the government should be responsible for any financial recovery to a person legitimately hurt by this legislation.

Ms Harrington: It is hard to cover everyone. We will do the best we can.

You did point out two difficulties with this legislation, including the capital expenditures pass-through. One point we want to look into, which you mentioned, is that the capital expenditures continue indefinitely in the rent for years and years and years and that we cannot justify that, we have to do something about that. You also briefly touched on the retroactivity of the bill. I want to tell you how difficult that is, to set a date for when this bill will come into effect. Even using the date of 1 October 1990, 130,000 tenants in this province are still getting rent increases, so what can we do? To stop that, we would have to go back and back and back. There is just no way one can set a date that satisfies everyone. I think that has to be clear.

One final point you mentioned on page 10, and I think we have to realize this, is that landlords do deserve profit on their investment. You have said it right here, that if you make the best investments and run the tightest ship, you should reap the highest rewards. Presently, the highest awards are being claimed by those who are opportunistic. We are not against people investing and making money, as long as they are operating their business for the benefit of their client, who is a tenant.

The Chair: Our time has expired. Mr Krall, thank you for appearing before the committee today.

Mr Tilson: If I could ask a question of the Chair, I have in the past put the committee on notice that I would like to make a motion to this committee with respect to having Mr Thom appear before us. I would like to do that today, mainly because we will not be sitting for some time after today. I know you literally have the clock running, but I would like your guidance as to when I can bring that application.

The Chair: Would the committee concur to do it after hearing the last presenter this morning? Is that okay? Thank you.

Ms Poole: Mr Chairman, might I further request that you consider a time limit on the debate?

The Chair: We will be into our lunch-hour, so I am sure committee members will judge accordingly.

COMMUNITY LEGAL ASSISTANCE, SARNIA

The Chair: Community Legal Assistance, Sarnia. I note you have been here most of the morning, so I think you understand our procedure very well. You have been allocated 20 minutes.

Mr Peterson: Thank you very much. Just to introduce myself, my name is Peterson. I am a lawyer. I am the director of Community Legal Assistance, Sarnia. I believe most of the committee is already well aware of community legal clinics. That is what we are. We are located in Lambton county and serve the constituency of Lambton county.

You have a rather lengthy brief in front of you. You can put it aside. You can read it, if you like, later on and I certainly invite you to do so. What I would like to do is highlight some of the points, some of our submissions to you, and let you raise the questions flowing from that and anything we have put in writing.

What we see are some very definite good things, from our constituency's viewpoint, in terms of this interim proposed legislation. We believe that for the most part, tenants support Bill 4. The problem this committee has, the Legislature has, and indeed anyone who deals with this subject has, you have already heard. Housing is a business. It is also a question of shelter. The two issues quite often come into conflict.

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You have heard that housing is regulated but many other things such as food and things like that are not. It is not correct. I believe you all know that we are regulated in many, many ways throughout this province, throughout our society. An awful lot of things are regulated. They are regulated because we decide we need a balance; there is something we believe needs to be corrected or legislated by such regulation. We submit to you that housing and shelter is certainly one of those areas, and when the business of housing and the issue of shelter come into conflict we submit to you that you are going to have to look at the issue of shelter first. Shelter is indeed, in our submission, a much greater consideration than the business of housing.

One of the submissions before you a number of days ago in Toronto said that this interim legislation is unconstitutional, unnecessary and uses a neutron bomb to swat a gnat. I am not sure if that was referring to landlords as gnats. From our constituency, we have heard landlords referred to as many things, never a gnat; sometimes something that rhymes with gnat and starts with r, but we have never had the perception that landlords are gnats.

As for the issue of capital expenses flow-through, this is proposed interim legislation. As I understand it, we are looking at 1 January 1993 as the maximum possible date. By the landlords' own submissions, they have many cases before the Ministry of Housing and rent review right now that will not be concluded, because they stem from as far back as 1989. That is two years right there. For the most part, if that is the case, many landlords would not have their capital costs dealt with during the period of this interim legislation in any event.

One of the other criticisms about this freeze, if you like, on capital cost flow-through is that the tenants themselves will suffer as a result. Landlords will just not do any repairs, will pack up and walk away. Bear in mind that there is also the Landlord and Tenant Act. It has been alluded to. Tenants have remedies there, pursuant to section 96 of that act, to seek abatements if their premises are not in a state of proper repair and fit for habitation. Tenants do have remedies if landlords do not wish to make necessary improvements due to matters of expenses or the like.

Constitutionality: It has been submitted that this retroactive legislation is invalid, particularly in view of the Charter of Rights and Freedoms. I would like to make some particular submissions with that point in mind.

It is a well-taken legal point that legislation is presumed not to be retroactive unless a contrary intention is expressed in the statute either by clear words or by necessary implication. This principle applies to what is known as substantive legislation. The principle is exactly the opposite for what is known as procedural legislation. In that

event, the presumption is that the procedural matters are retroactive or retrospective unless a contrary intention is expressed. There is numerous case law, and we have presented some of it in our brief to you, standing for those propositions. The courts traditionally respect retroactive substantive changes in legislation. The question you are left with, however, is: What effect does the Charter of Rights and Freedoms have upon this concept? In the United States, the Constitution has some particular impediments to retroactive or retrospective legislation. Does the Charter of Rights present the same kind of impediment?

The cases are not particularly numerous, and we highlight two of what we believe to be most pertinent. One is the case of the Queen and Finta, a case involving sections of the Criminal Code of Canada which were amended, in essence, to speak retrospectively about crimes committed outside Canada. It was challenged by the accused on the basis of section 7 of the Charter of Rights and Freedoms. The decision of the court in essence was that this legislation, the amendment to the Criminal Code, was procedural legislation and therefore the presumption against retrospective legislation did not hold. It was procedural. It was allowed to be retrospective. So Finta does not help us particularly with this legislation.

However, there is another recent case called Haddock. It affects the very legislation you are seeking to amend today, the Residential Rent Regulation Act, 1986. I want to dwell a little on that case, because it was a challenge based on both section 7 of the charter, that is, the right to life, liberty and security of person, and on section 15 of the charter, equality rights provisions.

It was a challenge brought by applicant building owners of apartments that had been constructed prior to 1976. The owners of these buildings claimed that by virtue of their having apartments that were pre-1976, they had lower rents in their buildings by virtue of the RRRA. They challenged the legislation as infringing on their right to earn a livelihood. Based on section 7 of the charter, the court rejected the application. The court, to paraphrase it, went on to say that the applicants had not been deprived of a means of livelihood necessary to their post-retirement survival; their complaint was merely that their investment is not as lucrative as they would like as a result of impugned legislation, and this is not a matter that engages the guarantees of section 7 of the charter.

The landlords also argued based on section 15 of the charter that their equality rights were infringed. The court again reviewed all of the numerous case law from as recently as the Andrews case and all of the other cases before the Supreme Court of Canada and set forth a test. It said that before deciding whether the charter was infringed, a complainant, under section 15, must show that not only is the complainant not receiving equal treatment before or under the law, but the complainant must also show that the legislative impact of the law was what the court called "discriminatory." Discriminatory, in the court's view, was a distinction based on grounds relating to personal characteristics of the individual or group which has the effect of imposing burdens, obligations or disadvantages on such individual or group.

The court concluded that the applicant landlords of pre-1976 buildings were not a protected group. In essence, it said these people have no protection under section 15 of the charter because, although they may be treated in a manner that does not give them equal treatment, they are not being discriminated against in view of section 15.

We suggest to you very strongly that the same arguments can be made in the case of retrospective legislation or proposed legislation here. The people who are prior to 1 October are not going to have any different distinction from the landlords who challenged in the Haddock case. They may be receiving unequal treatment, but they are not being discriminated against in the sense that the courts look at it.

Mr Turnbull: You have spoken with a great deal of technical detail about the potential challenge to retroactive legislation. I would like to ask you, philosophically are you in favour of private ownership of residential accommodation?

Mr Peterson: Am I in favour of private ownership of residential accommodation in terms of whether I favour private enterprise running residential accommodation?

Mr Turnbull: That is right.

Mr Peterson: I have no objection to it personally.

Mr Turnbull: You started your presentation by talking about the conflict or your perceived conflict between the business of housing and shelter as a right. It seems to me that where you have privately owned residential housing, there has to be an incentive to the owner. The incentive is called profit. While there are an awful lot of problems with Bill 51—I personally could sit down and write a book on the problems with it—nevertheless it recognizes the fact that there has to be profit to the landlord.

It has been stated here by many landlords that in the first few years of ownership of a residential building you have a loss. I have to tell you I know that some of those losses are structured in that way to maximize the amount of increase they can get under the financial loss clause. You know it and I know it. But to the extent that we have heard people saying that, yes, you do not get a terribly good cash flow out of the building but you hope to make it up with the appreciation on the building, how is that possible unless you have a flow-through of financing?

Before you answer that I would just also like to ask, do you think it is reasonable that we should put a cap on the number of sales so that you do not have this flipping we have heard referred to, which a few people have done? Could you respond to that.

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Mr Peterson: Perhaps I can respond to it in this manner. First of all, this again is interim legislation. We are not looking at a bill that is going to be here for ever. Possibly as a result of continuing studies by this committee, by the Legislature, by the government, it may be in place, but we are looking at two-year legislation right now. For all intents and purposes two years is a very, very short period in the lifetime of most buildings and most owners if they are indeed owners who are in the business of running residential housing. If they are in the business of making a rather

rapid turnover on a building, then perhaps to them this may represent their entire period of ownership, but if they are in the business of investing into buildings, two years is almost insignificant.

Mr Turnbull: Mr Peterson, the minister has suggested from the beginning of these hearings that the permanent legislation will have to have some recognition in it, that there has to be the ability to flow through the cost of capital repairs. I personally would feel a lot more comfortable with this if they had not had the retroactive aspect to it, because many landlords who do not have any profits have put their life savings into buying a small building. They have put it all, first of all, into the deposit and the rest into the money which you have to hold in reserve for running it. They have gone out and have started improving these buildings, because our rental housing stock is aging. It is typically between 25 and 30 years. Can I just finish off?

The Chair: You are running over already, Mr Turnbull.

Mr Turnbull: Okay.

Mr Peterson: If I can respond—

The Chair: I am sorry, no.

Hon Mr Cooke: Just a couple of points: I appreciate the comment you have just made about this being interim legislation, because I think that in the way some folks have described it, you would think this was a permanent piece, but this is a transition piece of legislation as we develop the long-term legislation.

I would like to ask you, with the experience you have had operating under the current rent review system, if you have any suggestions for us on how the adjudication process could be improved. You will understand that under the current system there is a review by an administrator and then the possibility of an appeal. The cost of this system is over \$40 million a year. It is confusing and complex. Do you have any recommendations for the committee and for the government on how that system could be improved to make it simpler and easier for small landlords and tenants to access?

Mr Peterson: Let me say first of all that I do not envy you your job. If it were my position to decide on the legislation, I think the first thing I would say is, are we prepared to make a strong commitment in dollars and cents to having whatever legislation we have in place operative? I think there is no difference of opinion between tenants and landlords. They all agree. They think there needs to be a change from a day-to-day procedural viewpoint that I see cases of and argue hearings at.

Timeliness: The system takes an awfully long time. If there are ways of speeding up the system without losing the rights and the protections that people have under the procedure, then I think the ministry should certainly head in that direction.

Hon Mr Cooke: What would your view be if there is still an appeal process under the permanent legislation and if there were only the option to appeal to one person as opposed to asking for a three-person board?

Mr Peterson: In essence you might be returning to the former system, where at that time the first level appeal was in essence the hearing, which in essence might be partially analogous now to the paperwork decision. From a practical viewpoint, I think tenants are looking for a decision. I think they want their rights protected. I think they do wish to have a hearing. Whether that hearing is before three people or one person I think is for the most part immaterial. I think they do wish for some form of safeguards. Those are just some of the thoughts I have on the matter.

Hon Mr Cooke: I do not know if I have any time left, but I wondered if you had any words of wisdom for us on how the capital issue could be dealt with in the permanent legislation. As you know, there are a number of options—reserves, caps and so forth—that have been thrown out by groups. Do you have any particular point of view on that?

Mr Peterson: Again, you will have hard decisions to make as to where you draw your line. There are clearly Cadillac improvements, as we refer to them. I have numerous tenants who have received Cadillac improvements which they do not want, but the difficult question there is that your Cadillac may be my Volkswagen or vice-versa. It is very difficult where you are going to draw a line if you are going to say a landlord can make such improvements and cannot make other, different improvements. They are very hard decisions. I do not in any sense try to come here and say I have answers for the province of Ontario.

Hon Mr Cooke: When the discussion document is out, we will certainly look forward to your response. But in Windsor we do not drive Cadillacs or Volkswagens; we drive Chryslers.

Mrs Y. O'Neill: That is encouraging.

The Chair: Ms Harrington, we have time for a question.

Ms Harrington: We still have time?

The Chair: I am going to give you time.

Ms Harrington: I want to thank you very much for coming. Although I do not claim to understand all of the technical details, that was a very good examination of how, under the law, the retroactivity would be viewed, whether it is unequal treatment or discriminatory. I think that has really helped us a lot.

You were mentioning something else about Bill 4, that it was interim and that the landlords are in there for the long term. I want you to maybe go on a little bit more. For the long-term landlords, how would Bill 4 in your view affect them if they are really interested in their buildings and they want to do a good job?

Mr Peterson: In a sense, as long as we do not know what is coming up after Bill 4, it is a little difficult to answer that question. As I say, based on Bill 4 itself many landlords would not have their capital cost hearings heard in the space of two years anyway. They would be in the midst of rent review and not being able to invoke at the first stage even those expenses. They would be tied up in many instances for at least a year, perhaps for as much as two years. So it may not affect them at all in that time

period. Who it will affect, no doubt, are the landlords who were almost about to have the matter heard when they got caught on the 1 October deadline.

Mr Brown: I was grateful for your presentation on the legal issues. The only caution I would have, and what makes me very nervous about the legal issues, is that the government has assured us that there will not be a problem with the legal issues. Having been in government for three years, that makes me particularly nervous. I presume the new government is using the same lawyers. Given that, the assurance may not be worth a lot.

Moving on, I think we all agree here that shelter is a right. Indeed, it is an obligation of this society to provide it. The question is really how we do that. I want to ask you if you have any information about what kind of return on investment landlords in this province might be getting from their investment, because if we are to have a private enterprise system there must be a return on investment or it just will not exist. Do you have any idea on the ROI for landlords.

Mr Peterson: I could not begin to tell you what the numbers are. What I can tell you is that there are private landlords here. Some people will work for a relatively minimal profit. Others will not work for the same profit. But it is clear that as long as we have private landlords here, there is a profit to be made. Do not let the lobby fool you in the sense that they are not making money. It is a question of how much money. Some may want to make more.

Mr Brown: That is exactly my question. How much money is appropriate in this business? We know, from having some people involved in the capital markets before us, that investments are not being made by the large groups of investors that you might think. Pension funds, for example, will not touch residential housing. That is what we have been told. I would suggest to the government that one of the things it might do is to use the Ontario Public Service Employees Union pension fund or the teachers' fund. It is a possibility. If those people are willing to accept the kind of return that a landlord would expect, this might be an opportunity to greatly increase the housing stock in the province of Ontario. I would think that the administrators of that fund, though, would probably not want to do that.

Mr Peterson: I am not going to pre-suppose the fact of economics. I leave that to the economists among us. That is straying outside my profession. What I can say is that there are landlords in business, and as such they are making what they deem to be at least enough profit to keep them in business. It is very obvious to say that if I can get 10% somewhere, which I may not be able to get at a bank—it all depends on how much money I have to invest at that bank—I may wish to get 11% if I want to start up my own apartment complex. I may not wish to get 11%. I may wish to get 50%.

It is not so easy as to say that just because I can walk down the street with X amount of dollars and get so many per cent, I am not going to start up an apartment complex.

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Mr Brown: All I am suggesting, though, is that one of the problems with rental housing in Ontario is supply. There is not adequate supply in some areas. We were in London yesterday, for example. The vacancy rate in London, according to CMHC, is 3%, which most people take to be an equilibrium in the market. We had a landlord there who applied to rent review and received an order for a 14% increase. He did not take the 14% increase. He took a statutory increase because that is all the market would bear.

This is a very complicated issue and what I am wondering is how you see this policy encouraging investment, encouraging more apartments to be built in this province, with more choice for tenants, better buildings for tenants, and whether this will do it.

Mr Peterson: Again, you are looking at interim legislation, and as such you are going to be really dealing with a relatively short period of time. Very few landlords, if any, would build on the basis of two-year legislation. I doubt very much any entrepreneur is going to go out there basing his future expectations on a bill that expires two years from now.

Mr Brown: So you would expect that in the short term there will be virtually no new units built during the period of this moratorium.

Mr Peterson: No. What I would expect is that they are going to make the same decision that they would have made regardless of this bill. If they were not going to build—

The Chair: Thank you. Ms Poole has time for one question.

Ms Poole: I want to thank you for your brief. You have given some particularly helpful suggestions towards the back about the notices of rent increases and ways in which we could improve them. I thank you for that, and also for the legal opinion on whether or not the retroactivity is constitutional. A number of witnesses have basically put the committee on notice that they intend to pursue the legal avenue should this become law in its present state, so we shall read the details of your brief with interest.

I only have one question. It is with regard to your comment about capital costs the landlord may have incurred prior to the legislation coming into effect. You made the comment that these capital costs would not even be dealt with under the rent review system until the end of the moratorium anyway, because, I gather, you felt the backlog was so extensive. Our information as of last summer was that the backlog was significantly reduced, to the extent that most decisions were going out within 90 days. I would have anticipated that many of those capital expenditures that took place prior to 1 October would in fact have been dealt with quite expeditiously, so I do not think the moratorium is going to affect that.

The Chair: I am sorry. We are out of time. Thank you for your presentation.

MORGAN'S MOBILE HOMES (CLINTON) LTD

The Chair: Douglas Morgan of Morgan's Mobile Homes (Clinton) Ltd, please come forward and take a seat. The committee has allocated you 20 minutes, 10 of which can be an oral presentation, followed by 10 minutes of questioning. For the record, we would like you to identify yourself and whom you represent.

Mr Morgan: I am Doug Morgan of Morgan's Mobile Homes in Clinton. I have just a short presentation.

We operate a land lease community. We are maybe not categorized the same as some of the other people with apartments who have been here. What we operate is a land lease community, operated as a private business.

Each landlord here is likely acting on his own behalf for his own benefit. We own the land and lease the serviced lots to tenants for their homes. It is hooked up to hydro, water and sewage. It is totally our cost to install these services and to maintain them. The same applies to all roads.

The tenants pay a monthly fee of \$95 to us for this land lease, and for that they have a nice lot to put their home on and it includes their water and sewer paid for, garbage picked up and streets maintained.

It is called a mobile or modular home park and is identical to a small village or town. We, as park owners, need some expensive equipment to develop and maintain these parks. If we have a heavy winter, we spend most of the time plowing snow, for which there is no return for our work or cost of maintenance on machinery. Should someone's sewer or water cause a problem in the middle of the night, there is no public utility that will look after it. It is up to the park owner. We find that we, as owners and landlords, are doing a lot of hours of work for very little pay.

We are in the process—this is talking about our own park—of having our park appraised and the consensus is that if we were to sell our park to our son, which he would like to buy at this time as that is the only business he knows, the land rent at \$95 a month would not allow him to buy it. It is not a viable business and guidelines of 5.2% will not make it a viable business either. We are going to have to get our land rent up to approximately \$150 to \$175 a month to cover expenses and make it a viable business. This is now prohibited by Bill 4.

Many people in our park are retired, drive new cars etc, and have money invested at 10% plus. Our park alone does not give us a living. It is subsidized by the sale of mobile and modular housing out of the park.

The government says that it needs more affordable housing. Our manufacturers and ourselves can supply this type of housing, but we are not going to do this if we cannot get a reasonable return on money invested.

The municipalities certainly enjoy the taxes they get from a land lease property because it is gravy money, with no installation or maintenance cost to the municipalities. We manage a small village or town in reality, with no cost at all to our municipality.

Another item which is a thorn in our sides is the fact that, classed as landlords, we must collect all municipal taxes. We are also responsible for them. We own the land

and pay taxes on each lot, which is fine, but it is hard to justify why we have to collect taxes from each tenant in our park when that tenant owns his or her own home and is assessed according to its value. The tenants feel also that since they own their home, their taxes should be paid to the municipality and not the landlord. This is an extra burden on us for which there is no compensation.

If this Bill 4 goes through and land lease property is under its jurisdiction as stated, I feel it is against the Charter of Rights and Freedoms for a person to make a reasonable living. You can rest assured we will be doing no expansion of our facilities and/or as little maintenance as possible in order to survive. This possibly means not many sales of homes as of now and/or for the next four years, which also means unemployment for more people.

We, as a country, voted in the NDP because we were tired of all the cost incurred by other governments, but we feel this bill has gone too far the other way. It may have good bearings on large apartment complexes that were being turned over for a large buck and raising rents, but that is not the case in land lease operations such as ours and other park owners. We bought our park in 1968 and we are still working on a new car.

That is my presentation.

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The Chair: I believe the minister has a couple of questions for you.

Hon Mr Cooke: I am just a little unclear on one aspect of your presentation and I would like to understand it; the rent now is?

Mr Morgan: We are \$95 a month right now and that pays for the water—we are on town water and town sewage—the sewage, garbage pickup and maintenance of all streets and the park in general.

Hon Mr Cooke: And you were suggesting that the rents should go up.

Mr Morgan: In order for it to be a viable business, according to the appraisal, we would have to have about \$150 a month.

Hon Mr Cooke: That would then finance the cost of whatever borrowing your son had to do in order to purchase the park from you.

Mr Morgan: And for him to pay back the loan. He would not have any money but at least he would be operating.

Hon Mr Cooke: Just so I understand, the difference between the \$90 and the \$150 would be primarily financing costs in order to finance a sale.

Mr Morgan: No. Right now, if it was not for our sales out of the park of mobile homes, our business would not be a viable business—the park itself, our taxes, the cost of machinery. We are different from apartments.

Hon Mr Cooke: I realize that.

Mr Morgan: It is just like a town. The cost of machinery and operating is just getting terribly high.

Hon Mr Cooke: Can I just ask one, the bottom-line question. Are you suggesting that mobile home parks should not be covered by any type of rent regulation?

Mr Morgan: No, I am not suggesting that they should not be covered, but I think we should be in a category by ourselves. I do not think we should be in the same category as apartment buildings. We should be in a strict category. I am not saying we should not have guidelines, by all means, no.

Hon Mr Cooke: If there are specifics, and I am sure there are, when the discussion document comes out in February, that you think we should be more sensitive to in addressing the mobile home park issue, I am sure our committee members would very much like to receive your specific suggestions of how we should deal with them in the permanent legislation, because there are differences and I certainly understand that.

Mr Duignan: You made some excellent suggestions along with other people who came from a couple of mobile park areas this morning. The committee will take a serious look at your suggestions.

Ms Poole: We have actually had several from the mobile home industry. They have pointed out some very telling facts that some of us were not totally aware of, so we do appreciate your presentation.

I want to make sure of a couple of things you mentioned in your brief. You have said that \$95 per month is what you rent the land for to the tenants at your park.

Mr Morgan: That is correct.

Ms Poole: That does or does not cover your total costs of renting that?

Mr Morgan: No. If our park was to be separated from the sales lot, the \$95 a month does not cover our costs at the present time.

Ms Poole: So it not only does not allow you a profit, it does not even cover your costs.

Mr Morgan: No. It is because of the cost of equipment and maintenance.

Ms Poole: Under Bill 4, that situation will be frozen for at least the time of the moratorium, whether it takes a year or two years.

Mr Morgan: I understand, yes.

Hon Mr Cooke: Have you gone to rent review?

Mr Morgan: No. I have followed the guidelines ever since we bought the park. And because our sales were fairly good and not thinking that much—well, all tenants are happy and everything is going well. But now as our boy is thinking of buying or we are thinking of selling, we realize all of a sudden that it is not a viable business.

Ms Poole: Just one final question. It is about the taxes. I understand, from what you have said in the brief—and I want you to correct me if I am wrong—that you are required to collect the taxes not only for the land you are renting out but also from the tenants' homes themselves, that you are responsible for collecting the entire amount.

Mr Morgan: That is correct. We get an overall bill, X number of dollars, and my wife has to make out the sheets

and we distribute them to each tenant. The tenant, in turn, feels that we are picking up a bit of money on the side and there is no way. It is just an extra burden on us. We have to collect those taxes, and if somebody is in arrears, who carries it? We do.

Ms Poole: So if they do not pay, if the tenant abdicates his or her responsibility and does not pay the amount owing, are you on the hook for that?

Mr Morgan: Yes, we are.

Ms Poole: To the municipality.

Mr Morgan: Yes.

Ms Poole: That certainly is something that should be redressed because it is totally unfair.

Mr Morgan: And it is up to us; if at the end of three years they still have not paid we either have to take them to court or do some legal—to try to get the money.

Hon Mr Cooke: What is your suggestion, Dianne?

Ms Poole: So the municipality could put a lien on your land because your tenant did not pay his or her portion?

Mr Morgan: Yes. If you went and looked, there is a lien on our property from back taxes. That is right.

Mr Brown: Yes, it is really just a question of information. Does your group have an association, a group that, in an umbrella sort of way, would give us an opportunity to present the views as a group so that we could understand the particular issues and your particular problems?

Mr Morgan: No, we do not, and I wish we did have an association, that we could work as a lobby group.

Mr Brown: Could you give me some understanding of how many mobile home parks there are in this province, or do you have any idea?

Mr Morgan: No.

Mr Brown: Perhaps the ministry could supply that information to us.

Mr Homan: There are 350.

The Chair: Order, please. We appreciate the information, sir, but we cannot conduct our meetings that way. Where is the ministry staff? Okay, can you talk to the gentleman, who I think may have some information for the committee on the total number of mobile home parks in the province, and if you have anything else you might want to tell the committee I would ask you to come forward?

Mr Brown: And the number of units, Mr Chairman.

The Chair: Please put the question to the staff and we will try to get answers.

Ms Richardson: I do have some information about the number of mobile home parks. It has been collected by the Ministry of Revenue. My information is that in total in the province there are 389 mobile home parks.

Mr Brown: Do you have any idea of how many units would be represented in those parks?

Ms Richardson: That represents 18,407 units.

Mrs Y. O'Neill: I wondered if there is any provincial association, to your knowledge, of any of these people in any parts of the province?

Ms Richardson: I just do not know that.

Mr Tilson: Does your park have leases?

Mr Morgan: No. I operated a park that did have leases, but when I bought it, our present park never had a lease and they were a lot of retired people and I did not feel like bringing a lease out. It upset them more than what—and I have still got some of the original people that are in our park and we have a good rapport.

Mr Tilson: Have you discussed some of your concerns with your people who live in the park?

Mr Morgan: Yes, a few, not a lot.

Mr Tilson: What do the few that you have spoken to say?

Mr Morgan: They realize what the cost is and a lot of the comments are that they could not get a cheaper rent any other place.

Mr Tilson: Do they have any other complaints about your operation?

Mr Morgan: No. We have not had many.

The Chair: Thank you, sir, for making your presentation to the committee this morning. We appreciate it.

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ELLA LAMOTTE AND ERNIE HARRIS

The Chair: I am informed that the next two presenters are going to join together in their presentation, Ella Lamotte and Ernie Harris. We had allocated 20 minutes each, so I will be a little freer with the time. We will try to keep the whole thing to about 30 minutes if we can. I would ask both of you to identify yourselves for the record and any organization that you are representing. You can split up your oral presentation if you wish. It is your call.

Mr Harris: Thank you. Ladies and gentlemen, my name is Ernie Harris.

Mrs Lamotte: My name is Ella Lamotte. I live at DaVinci Tower on Donnelly.

Mr Harris: We have some concerns that have been brought. I am not a resident there now. I moved out a few months ago because of the situations, but the last time we came forward to a rent review for problems within our apartment building we both received eviction notices. I do not believe it will be a hardship to the landlords because of this Bill 4. I believe that the building should be kept up maintenance-wise to their apartment buildings. The cost would not be so high.

Let's take a few examples. Back some time ago our landlord was told about leaking faucets, but nothing was really done. So, in the end they had to replace counter tops because they had rotted. At our expense the landlord replaced the taps, counters, plus bathroom fixtures, but to save money they did not put washers in them and the taps leaked again, which you could check very easily.

They also replaced fridges and stoves and stove hoods in the building. Many of them were still in excellent running condition. Mine was, at least, and I know Ella's was.

There was nothing wrong with them, but yet, in order to get an increase in rent, anywhere from 4.6% up to 28% increase in rent was put upon each and every individual. I do not object, in passing, to landlords getting increases. I realize that things do cost money, but I think it comes to extremes when you just replace things for the sake of replacing it.

They have slapped paint on walls as a cosmetic look and that was to be done by professionals, but you can see that it really was not. It was a family affair. They replaced kitchen floors. Now, some needed it and some did not really need it. We objected to it, but it still did not matter. All this for a large rent increase. At the time I left my rent was going up from 21% to 22% and Mrs Lamotte's was going up from 24% to 28%.

The landlords gave no respect to privacy and the people would enter at any time without notice, even if you were not there. They felt they could do whatever and they did, yes, even to intimidate you, even if they spoke—Mrs Lamotte was inconvenienced for many weeks and had to live out of boxes because the landlord did not want to really hurry. When I and Mrs Lamotte spoke up, as I said in the beginning, about rent increases, we were given the eviction notice and we ended up having to go to court, paying my costs, etc., to defend myself. We both stayed, but eventually I did leave. That is why you do not have many from the apartment buildings, especially DaVinci Tower, 3170 Donnelly, because they fear the force that some of the landlords are using on some of them. I am not saying all landlords are alike, but I am saying that there are some that literally put fear into individuals.

I believe there is no reason to allow landlords to be let off the hook and dismissed from Bill 4 because they will not continue to take advantage of tenants across Ontario. It is time to put a stop to it, to greedy landlords, and investigate books—not everybody—and work very thoroughly.

So, in short, I am asking this standing committee to allow Bill 4 to be law and force the landlords to keep the buildings up. In closing, as a tenant, I do not believe it matters, the car you drive when it is your legs. You would want something reliable too. Thank you. Ella?

Mrs Lamotte: My main concern right now is the financial difficulty in attempting to pay a 24% increase in my rent this year. In dollars, the increase amounts to \$127 per month, or \$1,524 for the year. Yet, on the other hand, my income has gradually decreased over the last 10 years while the rent has increased. I cannot see where I can keep up this high rent. I feel that it is too much for me to pay. I do not think I will be able to be there. I have been there for 15 years and I just cannot handle this rent any more. I just cannot find that people can continue to pay these high rents. There is just nothing I can say. I just feel so bad about it. I have been there too long. I am working just to pay my rent. There is nothing I can say about it.

Mrs Y. O'Neill: Mr Harris, you say you had a notice of eviction, that you went to court and that you won that case.

Mr Harris: That is right.

Mrs Y. O'Neill: Could you tell me the grounds upon which you were being evicted?

Mr Harris: It was right after a rental review and we had brought it before the rent review that the landlord was charging extra expenses such as a key, an air conditioner vent when some of them did not have an air conditioner, and a parking spot, \$50 per head over two people—

Mrs Y. O'Neill: So what were the grounds upon which you were—

Mr Harris: The grounds that they used were that they wanted to put their daughter, their family, into my apartment. Those were the reasons. When it went before the court, the judge just ruled that in a numbered investment corporation it could not be done.

Mrs Y. O'Neill: Thank you for giving us the details.

Mr Harris: You are welcome.

Mrs Y. O'Neill: That certainly was a very unjust experience. As you know, in the cases you brought, the Landlord and Tenant Act is really what we are talking about—

Mr Harris: That is right.

Mrs Y. O'Neill: —the relationships between tenants and landlords, and it is another act to what we are dealing with which, as you know, is a rent review legislation. Could you tell me how you feel Bill 4 would help situations like yours, and if you would like to answer, as well, Mrs Lamotte, how you feel Bill 4 will help you.

Mr Harris: I think Bill 4 would certainly, probably—I am not good on everything like this, but I think it would certainly help the tenants, and especially landlords from taking advantage of tenants who are afraid to speak up for themselves. I just would like to see it implemented. That is about all I can say.

Mrs Y. O'Neill: I am sorry, sir, I really do not believe Bill 4 will do that for you. I am very sorry to tell you that, because Bill 4, as you know, is a moratorium on rent increases and that is basically what it says.

Mr Harris: I would like to see a moratorium. I would certainly like to see something done, compared to getting 24% to 28% increases. I do not mind 4.6% or 5%, but to go 24% to 28% I think is a little bit outrageous.

Mrs Y. O'Neill: I would like to ask Mrs Lamotte. She says her rent has increased consistently. You obviously must have had a whole-building review or something to this effect. Could you tell me why your rents have gone up so much? Have you had phase-in orders? What are the reasons your landlord is giving you for what you consider excessive, and I do not know what they are, so I cannot make a judgement.

Mrs Lamotte: I believe it was because he has put some improvements in there like paintings and floors. I believe that for the rent that he is charging us, he has really gotten enough out of his own building, let's say, for the value of his property in 10 years. I think he has gathered just enough money for that on his time alone.

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Mrs Y. O'Neill: Unless he has sold the property, you know, he cannot appreciate its value. You say this is a long-standing landlord.

Mrs Lamotte: Yes, it is.

Mrs Y. O'Neill: Okay, so there has been no return on this investment at this point unless he sells. You do know that those improvements have been made and that is the reason he has been giving. Did you say you had a 20% increase in rent in one given year?

Mrs Lamotte: Yes, 23.8%.

Mrs Y. O'Neill: What year was that?

Mrs Lamotte: I will have to pay this on 1 July. I was wondering if that is going to be final. I have been paying \$547 rather than paying the \$660.

Mrs Y. O'Neill: So your effective date is 1 July 1991.

Mrs Lamotte: Yes. I would like to know what can be done at this time on my part. This is a debt that I will be in with them. I will be indebted to them. I think there are a lot of us in that building that just cannot afford this rent increase. I have been there a long time.

Mrs Y. O'Neill: Bill 4 is a proposed piece of legislation which has 1 October 1990 as its date. It has not yet passed the Legislature, so I do not think anyone here can answer your question definitively.

Mrs Lamotte: So that is not final yet.

Mr Brown: It sounds as if this is not a happy landlord-tenant relationship by any means and as if the landlord, as a matter of fact, harasses tenants rather than deals with them in a forthright way.

I guess my question really is pretty similar to Mrs O'Neill's. Many of us find it very difficult to understand how this bill will help in those particular landlord-tenant relationships aside from the fact, and I recognize it is an important fact, that it creates a moratorium on rent increases.

Aside from that, it is difficult to understand during this moratorium period how there will be any improvements to the maintenance of buildings, for example. I guess that is one of the problems we are having with this particular piece of legislation. Do you have any comments on that?

Mr Harris: I have stated that I would like to see a moratorium. I think if the buildings had been kept up to a certain extent they would not have to be going this route, but I think it is their own fault that they have allowed the building to deteriorate, to go down.

Mrs Lamotte: I think if they had looked after it before, it would never have come to this extent.

Mr Brown: Is this a building that is 10 years old?

The Chair: Order. Thank you very much. Mr Turnbull.

Mr Turnbull: Let's talk a little bit about the state of the building. Is it in good condition overall?

Mrs Lamotte: No, I would not say it was in good condition. I would say that they have kept it to a point where it is—well, we have a lot of students in there as well.

Mr Turnbull: Yes, but what specifically about the building is not good?

Mrs Lamotte: The lighting is very bad in the hallways. When I went there, the building was a beautiful building and my husband and I enjoyed it. He has died within that time. I enjoyed the building, but it has just gone down. The landlord has not done repairs when they should have been done and now he is just bringing all this on top of us right now and it is just costing everybody in the building too much money.

Mr Turnbull: You mentioned the capital improvements that he had gone through. He put new counter tops in and he put in new fridges and stoves and he put in new kitchen floors.

Mrs Lamotte: Which was not necessary. I cannot imagine why, but the man has about four other buildings.

Mr Turnbull: How old is the building?

Mrs Lamotte: I have been there for 15 years. I think it is probably about 16 or 17 years old.

Mr Turnbull: You are saying the building is going down but you do not want him to do capital improvements. I am just a little bit confused about that. Could you clarify that?

Mr Harris: I do not think we are saying that we do not want improvements. I think what we are saying is that the building has been let go and then all of a sudden, bang, he wants to upgrade the building to such an extent and then say to the tenants, "You're going to pay through the nose by a large rent increase." That is why I got out.

Mr Turnbull: You are saying it has been let go and you are telling me that he is doing these things, all these, upgrades. You have not described any luxury renovations to me.

Mr Harris: The only thing I can say they have done is they have replaced fridges. There were cracks in the wall that were there a number of years ago that we had told him about and he said, "Yes, we'll get them," but finally the cracks got so big they ended up coming down from the top of the wall all the way to the floor. Finally the cracks were so big they had to go in and do a major project on the walls themselves.

Mr Turnbull: Do you know what they did to the walls, how they solved that?

Mr Harris: They just creviced out the cracks and filled the cracks up and then naturally they had to repaint the apartments. That is what they had to do.

Mr Turnbull: There are some very sad stories we find of tenants coming to us who are having a real affordability problem. We also have landlords coming to us and saying, "Look, capital improvements have never been included in the legislation," which is correct. We have had expert testimony from the Ministry of Housing that major capital items were never included. The present act, which is Bill 51, was changed so that there was a 1% allowance built into the rental increase for capital items, but clearly when you get into large items such as fridges and stoves, you cannot get it back.

I am not suggesting to you that it was necessary for those fridges and stoves to be changed, but I do know the fact is that when you start getting a few fridges and stoves going in an apartment complex, it is usually indicative that they are coming to the end of their economic life, and it is better to buy a whole batch of new fridges and stoves rather than piecemeal going out in just ones and twos, because ultimately the tenants get the benefit of a lower cost in that pass-through. How would you foresee that landlords could cover the cost of capital items if Bill 4 goes through?

Mr Harris: I really do not know how to answer you, except I would like to ask a question back to you. How can they justify, if there are 54 tenants, who is going to pay 4.6% and who is going to pay 28%? We are all tenants.

Mr Turnbull: As a matter of fact, I was confused by your statements about that. Are you telling me they did not go for whole-building review—

Mr Harris: No, they did not.

Mr Turnbull: —they went apartment by apartment?

Mr Harris: The apartment below me was 4.6% raise. Mine was 21%, between 21% and 22%.

Mr Turnbull: Were there varying levels of maintenance done individually in apartments?

Mr Harris: Not particularly. My wife and I redecorated our own apartment; we did our own work. If there was a small crack in the wall, we got it and we covered it. We did it properly and did it ourselves.

Mr Turnbull: I would suggest that you should follow that up with rent review and check that out.

Hon Mr Cooke: The example that you are giving is an interesting one. I think one of the difficulties under the current rent review legislation is that it encourages landlords to go several years without going to rent review and letting a deterioration of the building exist and then have one big application; in other words, bunching up of all the capital repairs that are being proposed. The challenge we have is to try to devise a system that does not encourage neglect and then a huge application for rent review but tries to encourage ongoing maintenance and therefore there are no huge rent increases, just ongoing maintenance of buildings.

With that in mind, I have just a question of how you would react as tenants to a couple of alternative proposals. All of the options for capital will be detailed more specifically when our discussion document comes out in February. These are all proposals that have been discussed for quite some time. If one of the options was to have a capital reserve fund, where instead of having a guideline of 5.4%, the guideline was 6.4% or 7% and that is what they got every year, and there was an expectation that a couple of percentage points of that increase went into a capital reserve fund for automatic capital improvements, that is one alternative. The other alternative would be to have a guideline plus an ability to apply through the system with an upper cap of, say, 10% or 11% or 9%, whatever the cap would be. What would your reaction be to those types of alternatives?

1230

Mr Harris: For myself, as I said, I moved out, but in all honesty I probably would be much better with the first one you mentioned, going to maybe the 7% and a couple per cent of that going into a fund where capital would be taken care of. I believe that Ella would go along with me on that. I think something like that would be beneficial to not only the tenants, but also to the landlords. I do not want to see a landlord go under. I do not think any of us do. I think all we want is just a little bit of fairness. We are willing I think to accept something like that.

Hon Mr Cooke: So the bottom line for you as a tenant is the predictability, so that you have an idea of what your rent is going to go up to in a particular year and so that you are not confronted with an increase of 24% or 28% all at once with having no idea and then being economically evicted from your building. That is the most important principle that you are talking about today, the predictability.

Mr Harris: I think that would be good, if we knew from year to year that next year we are going to be paying this much. If come next year I get a notice that it is going to be 24%, that can be a shocker and a very heavy burden to a tenant. I will reiterate on the other situation, I think that the kind of car that you drive should not really interfere with your rent.

Mr Mammoliti: First of all, I want to commend both of you for having enough guts to come to the committee, for caring not only obviously for your own problem but for the problems that exist within the building and the tenants who are in that building as well. I think you should be commended for that.

Mrs Lamotte, I am very concerned about what you have said about not being able to afford the \$127 and the fact that you do not know what to do. There are thousands of tenants out there who are in the same position as you because of the rent review system, and Bill 4 was structured to perhaps make life a little easier for obvious reasons. What are you going to do? I am concerned. I need to know for myself what tenants such as yourself are going to do.

Mrs Lamotte: I am trying to say that I do not know what I am going to do. I am speaking for students in that building also. They are paying double because they are doubling up. I think this is what is going to happen to me. I will have to double or whatever. It is just too much money. I think we have paid enough. I feel bad for the landlords but I feel worse for us. We cannot afford the increase.

The Chair: I want to thank both of you for coming before the committee today. We appreciated your presentation. Thank you again.

COMMITTEE SCHEDULE

The Chair: Before the committee adjourns, we were put on notice by Mr Tilson that he was going to move a motion and, having regard for that, I will turn the floor over to Mr Tilson.

Mr Tilson: My party has expressed an interest, as have the Liberals, in the wish to see qualified expert

people in different aspects, not just the applicants who have come before us, but others. Mr Turnbull made a motion yesterday with respect to having a financial person come and talk about the financial aspect. The government of course has the votes and it turned that down. I cannot believe it is not because they did not want to hear them; they are sticking to their guns and saying, "This is as far as these hearings are going and what is allowed is allowed." I do not agree with that but I understand. They have made their point quite clear. I do not agree with it. I would hope that there will be time allowed.

There is obviously a time for a clause-by-clause in the clause-by-clause section. The minister has indicated that he is coming to discuss the green paper and it gives me great concern. This committee has been set up to specifically deal with Bill 4 and I have no problem listening to people talk about the whole rent control system. The minister this morning, in even his last question, asked a question dealing specifically with the green paper. It had nothing to do with Bill 4; it had to do with assisting him in the green paper. I understand that too, except that I am concerned that he comes in here and takes up the time that we wish for discussing Bill 4. It annoys me somewhat to have the government say there is no time to hear these expert witnesses.

I have prepared a motion. I have given it to the clerk. I do not know whether she is distributing it. It is a very short motion. I will read it and then I will submit my submissions as to why I believe this person is needed to come.

The Chair: Mr Tilson moves that Stuart Thom, author of the Report of the Commission of Inquiry into Residential Tenancies, be invited to appear before the committee to provide an assessment of this legislation on Ontario's rental housing stock.

Mr Tilson: If I might make submissions on that before you hear comments from other members of the committee, hopefully the government representatives will agree with that and hopefully time can be found. I believe that if we can find time to have the minister come and speak on the green paper, which we have not seen yet—I do not know whether it is going to be extensive or not extensive—we can find time to hear expert testimony to assist us in our recommendations to the Legislature.

Of course, the way it is worded, Mr Thom may not even want to come. We have asked that he be invited. I imagine he would come because this is a man who, with a staff of 28, started a report that was originally initiated in 1982 by the Conservative government. The first volume of the reports of the Commission of Inquiry into Residential Tenancies, which was called the Thom inquiry, was released by the Minister of Consumer and Commercial Relations in October 1984. The second volume was released by the Minister of Housing in April 1987. Prior to the release of volume 2, the Liberal government of course went ahead with Bill 51 to deal with residential tenancies.

Mr Chair, I will admit that I do not have a copy of this report. I am trying to get one. I think we all should read it if we have not. I know perhaps you and other members of the Legislature who have been in government before have

read it, but I have not. I am trying to get a copy. My information is that the cumulative cost as of 31 March 1987 was \$3,101,687 for this report. It was a substantial cost to the taxpayer and yet it really has not been adequately reviewed, in my view, by the government. The Minister of Housing at the time rejected the report and of course proceeded with Bill 51.

The Thom commission recommended the implementation of a fair market rent system which would be substantially different in terms of both design and operation of the then existing process. The report, as I understand it—and I am saying this not having read it, but what I have been informed is that it recommended a two-part system of rent regulation: fair return rent control and market-comparison rent review. I am not too sure what that means. I have had it summarized and told to me, and that is not the purpose of this motion. The purpose of this motion is that an extensive study has been made by a commission or inquiry, the Thom inquiry, to study the whole issue of residential tenancies. Things may have changed even since he submitted his report. He, with the expertise as he is required, may have specific comments to make to this committee with respect to the current Bill 4. I think, with that great expertise, this committee should hear that testimony, assuming he is prepared to come.

So that is the purpose of my motion and I would hope that members of the committee would agree with me that this man should come. I would recommend that time be found—it may not take a great deal of time—during the period that is being set aside about when the minister is coming, perhaps, with his green paper.

1240

Ms Poole: Our caucus would support this motion by the Conservative member. I think we can all acknowledge that Mr Thom is an expert in the field and has a great deal of expertise in this particular area.

I would also suggest that perhaps if Mr Thom is available, 12 February might be an ideal time for us to hear him, either prior to the commencement of our hearings that day or during the lunch period. I would further suggest that he be treated as an umbrella group, that perhaps it be a 40-minute presentation time, 20 for his actual presentation and 20 for questions from members of the committee.

Mrs Y. O'Neill: I believe my colleague was not here yesterday. I think you told us the two hours, 12 to 2, are for ministerial officials on that day, so it would have to be earlier.

I have several outstanding questions of the minister, and he would likely know those from Hansard, but maybe he could help us just on one of those right now to help us make a decision about this. You did respond to my letter very quickly, Minister. I just wonder if you could now tell the committee what your plans are for the week of 18 February and 25 February regarding your green paper. Then maybe we could see if we could use the suggestion of Mr Tilson regarding fitting Mr Thom into that time.

The Chair: I am not sure that is in order.

Mrs Y. O'Neill: Well, we have the minister here, Mr Chairman, and we are trying to make a decision about time, and he is the one who—

The Chair: Yes, I understand, and if there is no objection from the committee, then I will allow it. But under the strict sense of the precedents that I have served and worked under, that is not really in order. But with the consensus of the committee, I will allow it.

Mrs Y. O'Neill: Thank you very much. I think the minister will have an answer.

Hon Mr Cooke: I will try. I have not sat down with the Chairperson of the committee to get a firm determination. I do not know what your schedule is on 18 February, but it certainly is still our intention to release a discussion document. That would be our intention and our desire, to release the document and have the briefings from the ministry that week, whatever day you can schedule us.

The Chair: Can I help here? It was assumed that we would sit on Tuesday 19 February and start clause-by-clause. That would be interrupted as soon as the green paper was presented.

Mrs Y. O'Neill: That is why my question is here. At this moment I think the minister may be able to help us, because at the beginning we thought the actual date of release was 18 February. That has not been verified. Maybe he can verify that.

Hon Mr Cooke: The document will be ready on 18 February.

The Chair: That means we will not go to clause-by-clause then.

Hon Mr Cooke: That is our plan, to have the document ready on 18 February. When you schedule the ministry to brief you on the document is up to the committee. I am just telling you when the document will be ready, and we obviously want to have clause-by-clause of Bill 4 dealt with as well.

The Chair: For the minister's attention and to recall to everyone's attention, the Chair was instructed by the committee that when the green paper was made public we would interrupt clause-by-clause and go to the green paper, which means, unless I am instructed differently, that if the green paper is released either am or pm on Monday 18 February, we will not have clause-by-clause.

Hon Mr Cooke: Mr Chairman, I think you are not correctly following what I am saying. I am saying that the document is going to be ready. When the committee schedules us, fine, but we have indicated all along that we want arrangements for clause-by-clause for Bill 4. So it is really up to the committee to tell us what its schedule is and when you are going to do the clause-by-clause of Bill 4. The release of the document will have some bearing on when Bill 4 is going to be dealt with. That is for obvious reasons; you cannot have two items before the public.

Mrs Y. O'Neill: I am sorry, Minister, I am having difficulty again now. You are saying that 18 February is not a firm date.

Hon Mr Cooke: I am in the hands of the committee and when you give us an indication of when you are going to be doing clause-by-clause and when we can fit in—

Mrs Y. O'Neill: Are you telling me you are going to release this document at the whim of this committee, or at this committee?

Hon Mr Cooke: You have described the committee that way, I did not.

Mrs Y. O'Neill: I am having so much difficulty understanding your timing. Are you going to release the document at this committee, or when we are complete with clause-by-clause, or are we going to tell you when you are going to release the document? I am having so much trouble.

Hon Mr Cooke: What I would suggest the committee should do is that the steering committee or the committee in its entirety should tell us what its schedule is, what the intentions are for clause-by-clause of Bill 4, and we will, to the best of our ability, be as flexible as possible to fit into that schedule.

Mrs Y. O'Neill: And you were going to make a statement that it is not fair to have—and you did not complete that—clause-by-clause at the same time as a discussion paper.

Hon Mr Cooke: What we want, and I am sure you would agree, is as much as possible to avoid the confusion that will exist of having two things before the committee at exactly the same time.

Mrs Y. O'Neill: So you are saying you want clause-by-clause complete before the discussion paper is released.

Hon Mr Cooke: That would certainly be the ideal, but again I think your committee should put some proposal forward to the ministry and the committee members should make some determination of how they want to proceed.

The Chair: Can I try this again, please? My understanding is, and we can go back through Hansard—maybe the clerk can read the motion.

Clerk of the Committee: At its meeting of 20 December when the committee was considering the proposal from the Chair regarding this committee's schedule, Mr Turnbull made a motion that that schedule be amended by substituting the words, "Upon completion of clause-by-clause during the week of February 18, the Ministry of Housing do a briefing on the discussion paper and that if the ministry is prepared to do the briefing before completion of clause-by-clause on Bill 4, that clause-by-clause be interrupted and continue into the week of 25 February to allow that briefing."

The Chair: So basically when the green paper is tabled for public consumption, the committee will interrupt its clause-by-clause hearing and then be briefed by the ministry.

Hon Mr Cooke: That is not how that motion read.

The Chair: That is not how it reads?

Clerk of the Committee: Yes, it is.

The Chair: That is exactly how it reads.

Interjections.

The Chair: Order, please. We will have a full discussion. We have until 2 o'clock to complete discussion. I am running a list. Every member can be on the list if he or she wishes, but we cannot all talk to this subject at once. Now my understanding of the motion, and we will get clarification from the clerk, is that when the discussion paper is tabled, we will interrupt clause-by-clause to do the green paper, to have the ministry briefing. I do not know how long that will take. The committee will decide.

Mr Mammoliti: Mr Chairman—

The Chair: Let me finish, please. I am going to give everybody ample time. The Chair does not take much time in this committee.

Mr Mammoliti: You have given your opinion, Mr Chairman. I would like to give my opinion.

The Chair: Order. You cannot give your opinion while someone else is giving his opinion. Can I give an opinion, please?

Mr Mammoliti: Certainly, but whether it is going to take a half-hour or not is a different story.

Mrs Y. O'Neill: Oh, my goodness. We should be showing respect for our Chair.

Mr Tilson: Absolutely. Have respect for the Chair.

The Chair: The motion, as I understand it, instructs the committee to do certain things. The Chairman has to follow the motion. I cannot make things up and go along as if my own will is the will of the committee. I can only follow the instructions of the committee. I do my best to interpret the instructions of the committee and seek advice of the clerk when I am unsure, to ensure that what we do is legally correct.

1250

I believe the motion instructs the committee to stop its clause-by-clause discussions of Bill 4 when the discussion paper is tabled. I do not see in that motion anything that instructs the Chair about the time allotted for the ministry briefing. The committee will have to decide that at a future date, as soon as possible, I hope. When the ministry briefing is completed, then the committee will again revert back to clause-by-clause. That is how I read the motion. That is how I read the instructions from the committee. I would like to ask for clarification from the clerk.

Clerk of the Committee: I hesitate to paraphrase, but the way the motion reads is that clause-by-clause will commence the week of 18 February and that upon completion the Ministry of Housing do a briefing of the discussion paper, but that if the ministry is prepared to do that briefing before the completion of clause-by-clause, clause-by-clause will be interrupted in order for that briefing to take place and we will continue clause-by-clause into the week of 25 February.

Hon Mr Cooke: That is not what you said.

The Chair: That is not what I said? If that is not what I said, I would like to know the divergence.

Hon Mr Cooke: The only confusion I have is that you were stating it in a very absolute way, and I do not think

that is the case. What the motion says and as the clerk has explained, it is the expectation that there will be clause-by-clause begun in the week of 18 February. The alternative is that if the Ministry of Housing offers to do a briefing before you have completed clause-by-clause, then that would be acceptable to the committee.

Not being a member of this committee, I do not have any direct input, but I would certainly suggest that the appropriate way of going is that before the ministry does its briefing on the discussion document, clause-by-clause on Bill 4 should be completed in committee. That is the way we have always encouraged the committee to proceed.

The Chair: I want to say that I agree with the minister. I have always advised this committee not to do two things at once. Anybody who checks Hansard or the videos of our hearings will see that the Chairman tried to set a schedule that in fact did that. I can only follow the wishes of the majority of the committee.

Were you finished, Mrs Poole?

Ms Poole: No, I was not.

The Chair: We have Mrs Poole, Mrs O'Neill, Mrs Harrington, Mr Mammoliti, Mr Turnbull.

Mr Mammoliti: On a point of order, Mr Chairman: Are the people on the list dealing with the motion or are they dealing with the interpretation you have and the clerk has of clause-by-clause?

The Chair: Do you remember that about 10 minutes ago, when I wanted to rule questioning out of order, I said if I had followed the strict precedent of how committees work I would be ruling that out of order, but if there was unanimous consent, consensus in the committee, I would allow it? I saw everyone shaking their heads yes and now I am being questioned on something you asked me not to rule on. I can only do one thing at a time that the committee instructs me to do. Everybody agreed that we could do this, and we are going to continue. Your point of order is out of order.

Mr Turnbull: On a point of information, Mr Chairman: I do not have my baggage out of my room and we were informed to try to get it out close to 12 o'clock. Does the clerk have any instruction on that? This could go on for a long time.

Clerk of the Committee: I can only tell you what I said earlier, that you should check out as soon as possible.

The Chair: And it is not possible right now.

Ms Poole: As Housing critic for the Liberal Party, I have had quite a few conversations with the minister about the timing of the green paper and also clause-by-clause. If the committee will remember, the weeks of 25 February and 4 March were set aside for the green paper. Major umbrella groups were going to be invited by the committee to come before our committee and make presentation on the green paper.

The minister was indefinite about when the green paper would be available, simply because he did not know if they could keep to the original timetable. He had said they were hoping to have it available on 18 February, and

the original idea was that we would have the green paper presented by the ministry staff, there would be an opportunity for question and answer from the members and then we would go into clause-by-clause. There was some flexibility built in simply because the ministry could not absolutely promise it would have the green paper done by 18 February.

I think a couple of points are really important. One is that it is important to get the green paper out as quickly as possible if the presenters coming the week of 25 February and 4 March are to have an opportunity to actually look at it and have meaningful views back to us. That is why we had suggested that as soon as the green paper was available we would interrupt clause-by-clause, no matter what stage we were at; have the green paper and then go back to clause-by-clause.

The minister, I think, believes now that there is a fair amount of certainty that the paper will be available 18 February. I think it makes sense to deal with the green paper first—we may want to set aside half a day, a whole day, whatever we want, to deal with that—and then go into clause-by-clause. If we take a day away from the week of 18 February, away from clause-by-clause, I suppose it would be added to the beginning of the next week so we could complete clause-by-clause in a very timely fashion.

That is my understanding and I think the minister will agree with me that that is what we were working on, that as soon as the ministry had the consultation paper available, it wanted to release it to give the major umbrella groups an opportunity to peruse it. So if it is available on 18 February, I would recommend that we deal with it as our first item of business and immediately go into clause-by-clause and deal with it in that order.

Hon Mr Cooke: Could we discuss this during the lunch break? I am sure we can come up with an arrangement of how to handle that week between the members of the committee and myself. I do not think this is a problem.

The Chair: Okay. I am happy to hear that. I would like to get back to Mr Tilson's motion. "Mr Tilson moves that Stuart Thom, author of the Report of the Commission of Inquiry into Residential Tenancies, be invited to appear before the committee to provide an assessment of this legislation on Ontario's rental housing stock."

All debate from this point forward will be referring to Mr Tilson's motion, as everyone has agreed to discuss the timing of the week of the 18th over lunch, or else we are never going to get to Mr Tilson's motion and we are never going to get lunch.

Ms Harrington: To respond to that original motion, this side, I believe, is most pleased to hear Mr Thom. I believe we are here to learn everything we can about every aspect of this proposed legislation.

I think all sides understand our firmness on the hearing dates, in fact the final date of when the green paper is coming. May I ask the person proposing the motion that it is understood that we will not go past the dates we have set, and we would be most pleased to support this motion.

The Chair: What I would recommend to the committee, as it appears there is consensus to hear Mr Thom, is that maybe one evening in the month of February, whether it be the week of the 11th—the week of the 11th is out; we are travelling quite a bit. Maybe the week of the 18th, the week of the 25th, we could set aside an evening hearing.

I frankly advise the committee not to call Mr Thom in for 40 minutes. I do not think you will find that advantageous. I think the committee will be frustrated. If we could set an evening, say, from 8 to 10, which would give two hours, we could divide the time equally. We could inform Mr Thom how long we would like to hear him speak on the matter before we questioned him. Then it would be worth while for Mr Thom and it would be worth while for the committee, it would not interfere with the other decisions we have made, and at the end of the process we would feel better instead of frustrated.

That is my advice. I would ask for committee consensus. If there is no consensus on that, we are going to have to come to a consensus on someone else's suggestion. What do the members think?

Ms Harrington: We would be willing to sit in the evening.

The Chair: From 8 to 10. We will pick a date and inform all members in a timely manner.

The motion put forward by Mr Tilson has been read twice. Do we need to hear it again? Dispense?

Motion agreed to.

The committee recessed at 1302.

AFTERNOON SITTING

The committee resumed at 1405 in the Hilton International, Windsor.

The Chair: The Chair sees a quorum. We have a very busy afternoon ahead of us. I ask everyone to please review the afternoon agenda. Also, please take note that a number of the members are flying back to Toronto this afternoon, and we have to get you back to the airport on time. That being the case, I am going to strictly adhere to the committee's decisions made earlier about time limitation. I would ask all members to please co-operate in that. We will strictly adhere to the time guidelines because of the large number of delegations that we have and because of the travel arrangements that cannot be changed.

I also understand that over lunch the committee came to a conclusion as to when the green paper and clause-by-clause would take place during the week of 18 February. It was suggested that we put this on record, and since there is a quorum here, I am going to try to recap for the committee and have it placed on record what I think the clerk has understood. It appears that on Monday the 18th the green paper will be made public and simultaneously the committee will be briefed by ministry staff. Am I correct so far?

Mrs Y. O'Neill: I have just spoken to the minister. I think the minister himself will be present at the committee that day, and he does think we need the whole day of 18 February.

The Chair: Morning and afternoon?

Mrs Y. O'Neill: Yes, because he says that it is a very large document and, if we do not, we will not have time for questions.

The Chair: That is fine. The 18th will be reserved for the green paper briefing by the minister and ministry staff for the committee. Then my understanding is that the committee has agreed to go to clause-by-clause starting the morning of 19 February. I think I have capsulized that. The only thing that the committee has to decide at this moment is the time of sitting on 18 February. As all committee members know, I put everyone on notice some weeks ago that Monday is not a good day for me, so I will not be there, but our Vice-Chair will ably assume those responsibilities.

Ms Poole: Mr Tilson and I were discussing this matter just prior to coming in. One thing that was of concern to both of us was the fact that committee members would not have an opportunity to even look at the consultation document until it is tabled with the committee on 18 February. I wonder if any provision can be made to ensure that committee members have access to the consultation document prior to the time the committee meets that day. Otherwise, there will be no opportunity for us to ask intelligent questions of the ministry staff and there may not even be sufficient time for us to have gone over the consultation document in depth.

Mrs Y. O'Neill: If I may help in this, the minister indicated to me that he wants to go through the document,

he and/or the ministry staff, page by page. I presume that if he is releasing the document, which you just told me, at the same time publicly and to us, the request may be impossible. But the only way to check, of course, is to get Mr Cooke to answer.

Mr Tilson: I agree with Ms Poole and Mrs O'Neill on those items. I have no problems with the procedure. My only concern is as to what this committee is expected to do. Actually, I do have a problem as far as the whole procedure is concerned, of its interfering with these proceedings. But since it has been decided that is going to happen, I will work within the system. I have no problem having the minister go through page by page. The difficulty I will have is if he expects this committee to discuss that paper at that specific period of time.

Normally, unless I am the only one but I do not imagine I am, if I see a document that is at all comprehensive, I will probably want to read it more than once. I may want to read it twice. I may even want to discuss it with someone like Mr Turnbull in private somewhere. We will not have sufficient time to do that. If it is understood that we will be able to discuss it at a later date, I have no problems with that either.

Ms Harrington: I want to ask either Mr Cooke or the staff of the ministry if it is at all possible to get it out to the members on the Friday before so we could have the weekend to read it. It is not possible? If it was possible, we would appreciate it. If not, I guess we will have to live with it.

The Chair: Minister, if you can help us, we are happy to have your help.

Hon Mr Cooke: I think the expectation would be that the document would be presented and released to the committee on the 18th and then the ministry staff would brief the committee and there would be an opportunity, in whatever way you want to schedule it for that day, for questions of people from the ministry after the briefing, if that is okay. But if we released it to the committee ahead of time, I think that would be inappropriate. We want to release it to the committee all at one time, and it will not be released to the public before then either.

The Chair: Can I ask the minister how long he believes the ministry briefing would take if the staff are going to go over the matter with the committee on a page-by-page basis?

Hon Mr Cooke: I do not know that you need to go through it page by page, but issue by issue and the various options that are referred to in the document would probably be the best way.

The Chair: Do you have any idea how long that process might take?

Hon Mr Cooke: Mrs O'Neill and I were talking about that a few minutes ago. It is hard for me to guess at how long. It will be a comprehensive document. If you have the whole day, it will take some time to go through it, and then

I still think there will be ample opportunity for questioning. We can work the schedule whatever way you want. I guess whatever amount of time you give the ministry people, that is what they will take.

The Chair: I think it has become a little more complicated than just a schedule. I think that I have heard some concerns expressed, and please correct me if I am wrong, that there needs to be a full briefing, then an opportunity after the material is absorbed to go into detailed questions. Is that a good summary of your concerns?

Mr Tilson: Yes, it is.

The Chair: I heard it from several sources.

Mrs Y. O'Neill: I did have the opportunity to discuss this with the minister. I think that we are being given an immediate briefing. We are the people who are going to be responsible for leading the discussions across the province on this paper. The minister himself will also be going, with a couple of other members of the committee. There is some debate about that, but that is immaterial at the moment.

What I hear is that we will finish clause-by-clause and, if we still have need for further discussion on this paper, the minister has assured me, and I think he has even assured other members of the committee, that opportunity will be presented. So I think we have 18 February, then we do clause-by-clause. I do have some of the same concerns as the minister. He and I do not always agree, but on this one we do. We have a responsibility to the public to try to keep this process clean and clear. I really do feel that we will have some time on the 18th, that first day, and then we will have a lot of time to read it as we do clause-by-clause.

I am putting this in Hansard so that the minister will verify again that we can go back to the document. I mean, this document is apparently going to be on the floor for discussion until midsummer. At least that is what we have heard before. So it is not as though we have to have every single question answered that very first day. I like the idea that we are going to be the first ones to get the document. I feel very good about that.

Ms Poole: I would like to reiterate that my major concern is if we are seeing this document for the first time and Ministry of Housing officials flip through from spot to spot and give us a précis, then we might not be asking the questions that we should be asking to clear up confusion that may be arising because of the document.

If the minister can affirm to me that the briefing would be in fact quite comprehensive and that we would spend a considerable part of that day actually going through the document itself, I would feel much more comfortable, particularly if we also allocate that perhaps the first morning we are into session in the following week we could have the Ministry of Housing officials back for a follow-up commentary and questions.

Hon Mr Cooke: No problem.

The Chair: That is no problem either, as far as I am concerned, but it is a little different than the agreement I spoke about at the commencement of this meeting. We have now extended that agreement, so let's all be cognizant of that. For the benefit of the committee, I think we

are going to have to be very clear on how we are scheduling this.

Hon Mr Cooke: What you are suggesting, Ms Poole, is that on the 18th there will be an extensive briefing, an opportunity for questions, then you will go back to clause-by-clause. Obviously members of the committee will then have the document, they will read through it, they will go through it with their colleagues and research. If you here are saying that the members want the opportunity to have ministry personnel back in front of the committee after they have digested again, that you would like that opportunity, I see no problem with that at all. That is understandable.

Ms Poole: In fact, if we could specifically arrange for that—I cannot conceive that it would be possible for me not to want to have further questions of the ministry and I assume that an appropriate time would be the beginning of the consultation period so that many of the presenters could also have some of the questions they may have asked through the committee members.

Mrs Y. O'Neill: Mr Chairman, if I may, I think we would less than true to the committee process of the Legislature of Ontario if we said how long it was going to take us for clause-by-clause. So I do not think at this moment we can determine that second day.

The Chair: I just am very happy you in fact came to this point, Mrs O'Neill. I could be wrong and if I am wrong, then it is great, and we will have ample time to do everything that the clerk and I have been instructed to prepare, but the clause-by-clause may take a great deal of debate, if there are a great number of motions and a lot of recorded votes and all of those things which I have seen happen in the past. So far I do not see there is anything that has shown me that this will not happen with this bill.

Mrs Y. O'Neill: What makes you think that?

The Chair: It is just the nature of the legislation, the nature of the presentations that we have heard and the nature of the concerns that I have heard on all sides. I envision the clause-by-clause to be very tedious and very, very lengthy.

Now if we get our work done quicker, that is fine; we will get to all of these things we have been instructed to do. If not, I am assuming that the committee is going to have to revisit some of these things that you have instructed the clerk and me to do, because my understanding is that the number one priority is to get clause-by-clause completed for the opening of the Legislature. I think I am instructed by the committee to ensure that that happens.

If we bog down in certain areas, I am going to have to allow debate if people want to speak. We may get to the point where we may have completed half of the committee's instructions today, but we may never get to that point of callback of ministry staff or others. I just want everyone to be aware of that potential situation, have that in the back of your minds as we are going through the process.

Do not forget you have also told the Chair this morning that you want to see Stuart Thom, which means that one evening during the week of the 18th or the 25th Mr Thom

will come in, and there may be further instructions that you have for me as we go along. Ms Poole?

Ms Poole: Just one further comment and in fact a question, Mr Chair: My understanding was that primarily the week of 25 February and 4 March were to hear presentations from umbrella groups as to the consultation.

The Chair: We no longer have them for the week of 4 March. All three caucuses have scheduled caucus retreats of two and three days. That was brought up quite some time ago, and I foresee nothing happening during the week of 4 March. I think every party has mentioned to me that there are caucus retreats and some of these retreats are quite extensive. The caucuses are getting ready for the opening of the spring session.

Ms Poole: Does this mean that there will be one week for the consultation people, or are we asking for an additional allotment of time, once the House goes back into session, to complete our consultation process?

The Chair: I am only speaking out loud but I foresee our regular Thursday meetings turned into sessions for the consultation paper which then puts us into conflict with the promises that we made to each other about the two 12-hour motions. These are all things that I brought to the committee's attention early on.

Mrs Y. O'Neill: Mr Chairman, I think that we have made a very major decision today. Mr Cooke has verified the release date of the paper, and I would strongly suggest that we get into the hearings for this afternoon. I have one very small request before we do that, but I think we have made as many decisions today as we can. We cannot predict the future, and that is what we are really asking. This committee in particular cannot predict the future.

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The Chair: No. The only reason I made those points was just to alert everyone to the requests that are being made and to the restrictions that we have, so that there are no surprises. One thing we do have to decide is our hours of sitting on Monday 18 February. I am going to suggest 10 to 12 and 2 to 6. Is there consensus?

Mrs Y. O'Neill: That is fine with us.

The Chair: Very good. Let's move right along.

Mrs Y. O'Neill: May I just ask the clerk one question, Mr Chairman?

The Chair: Certainly.

Mrs Y. O'Neill: I did ask the last two or three days about the answer from the Minister of Revenue. Has a contact been made? If it has not, I would request that we have an answer in writing from the Minister of Revenue to be presented to the members of this committee on or before our next meeting, 18 February.

Clerk of the Committee: I have tried on several occasions to reach the minister. She has been in meetings and so on. She does have a message with her executive assistant to contact me here today.

Mrs Y. O'Neill: I will leave that for a later time in the day then, but I do think this committee has to have an

answer if she has new knowledge that the rest of us do not have about the concerns of her constituents.

The Chair: I remind everyone that we have a full itinerary this afternoon and I am going to adhere strictly to the time allocations.

CHRIS O'NEIL

The Chair: The first presenter is Chris O'Neil. Mr O'Neil, thank you for joining us today. You have been allotted 20 minutes by the committee, 10 minutes to make an oral presentation followed by 10 minutes of questioning.

Mr C. O'Neil: I would like to thank the committee for allowing me to appear. My name is Chris O'Neil and I am appearing as an individual tenant who has been affected by the rent review legislation. I live in an old, six-unit walkup apartment on Windsor's west side near the University of Windsor which I have occupied since 1979. There have been two landlords who have owned the premises since I first moved in. The present landlord began collecting the rent on 1 August 1986 though, to my knowledge, he had purchased the building some time before that. Seven months later, the new landlord served me with the first of three termination of tenancy notices I was to receive that year.

He quoted me a rental price for another unit in the building that he thought would be available shortly and told me he would offer me the unit if it did. This offer was made and I accepted, although the rental price quoted was \$15 more than when he first made the offer. Later, the landlord gave me a new rental price that was \$10 higher than the second quote and further informed me he would be charging me an additional \$50 as a deposit.

I informed him I was no longer interested in the new unit and decided to fight his termination notice if he wished to contest it in court. He chose not to, but about two weeks after the expiry of the first notice, he served me with another termination notice claiming he needed the unit for personal use. We ended up in landlord-tenant court in September 1987, and his application for a writ of possession was dismissed when he admitted in his own testimony that he had moved another tenant into a vacant unit while he was attempting to evict me.

Six weeks later, in November 1987, he again served me with a termination notice, this time claiming he needed vacant possession in order to effect major repairs to the unit. In April 1988, we were in landlord-tenant court again and a compromise agreement was reached. In the short term, I was to surrender the exclusive use of my kitchen in exchange for the opportunity to occupy the first available unit in the building. The surrender of the exclusive use of my kitchen was not accompanied by any rent reduction.

Shortly after this agreement was signed, work began on the building as a whole. The landlord had previously given me a letter outlining the work to be done and about how there would be a full consultation with all of the tenants affected by the work. At no time did the landlord consult with me about the repairs and rarely attempted to give me written notice about when workmen would be entering my unit.

In the same letter, the landlord stated that most of the cost of the repairs would be paid for by the low-rise rehabilitation program. I was told that there would be a small impact on my rent of about \$20 and that the repair costs that he had to bear would be spread over the life of the repairs. The repairs were necessary to properly maintain the building and bring it up to safe fire standards.

In June 1989, the landlord filed for a whole-building review with a first effective date of 1 October 1989. Contrary to the small impact on my rent I had been promised, I discovered the landlord was seeking a 34.85% increase over my current rent. If I began to pay that on 1 October, I would then be paying about 50% of my income on rent.

The landlord accompanied his application with a form 6R requesting that information in the rent registry be changed. He claimed that when he originally registered the rents he had failed to indicate the full rent. The result, he said, was that the maximum rents in all the units were actually much higher than they appeared, so therefore the actual increase in rent was really only 12.59%.

On 1 October 1989 I opted to pay only a guideline increase with the understanding that if the landlord was awarded a higher rent I would be responsible for all back rent owing.

On 4 January 1990 the rent review services office dismissed the landlord's form 6R application. The office had requested additional information from the landlord or his agent supporting their contention that the rents in the registry did not indicate the full rent. Neither the landlord nor his agent complied with this request.

In May 1990 I was laid off from work. For the previous 10 weeks I had been on a shortened work week and was finding it difficult to put aside money in the event of a rent review services ruling in favour of my landlord. After I was laid off, I found this process impossible and lived in fear of losing my apartment if I was unable to pay the back rent. Fortunately this did not happen as I was recalled to work in August and am currently employed full-time.

I was unhappy enough about the rent review legislation to attend tenant rallies in June and August 1990. In addition, I wrote two letters to Bill Wrye, the former representative of my riding, to inform him that unless he and his party made some commitment to change the rent review legislation to make it fairer to tenants, I would support neither in the upcoming election. I also told Mr Wrye that the fact I had supported him in the three previous provincial elections would have no bearing on my decision.

Mr Wrye, apparently as comfortable with his re-election prospects as the former Premier was with his party's chances, replied that he was satisfied with the legislation as it was. I decided right then to back a party that would protect my interests as a tenant, and accordingly I would like to publicly thank the Minister of Housing and the rest of the Ontario government for proposing this legislation. They have demonstrated to me that my confidence in them to protect my interests was not misplaced.

On 9 August 1990 rent review services handed down its order. This was more than a year after the landlord had first filed his application and 10 months after the first effective date. Rent increases of 16.46% to maximum rent

for the whole complex were allowed. This was less than what my landlord had asked for, but still resulted in a hefty monthly boost in my rent, as well as leaving me in debt to him for the back rent. This debt was paid by me in full by 19 September 1990, minus the illegal rent my landlord had been charging me for the year prior to 1 October 1989 and that I knew nothing about until the order was issued.

In early September I had occasion to see a rent receipt issued to another tenant in the building. I checked this receipt against the maximum rent that could be charged for that unit. The landlord was still charging more than \$20 above the maximum rent for that unit, plus an illegal and unauthorized charge for the use of an air conditioner of \$40.

Permit me now to say a few words about the maintenance of the property as there have been some problems in this regard. The landlord sprayed for pests in October 1988. I should point out that prior to April 1987 there had never been a problem in the building with insect pests. In October 1988 the problem was still relatively minor. The landlord did not spray the apartments again until October 1990, by which time the problem had become far more serious. The problem is still serious and no further spraying has occurred since October.

In my unit a fire door was installed as part of the major repairs done in 1988. Since that time the lock has been broken twice. The door is locked from the outside, but I cannot open it from the inside. The first time it took the landlord six weeks to fix the problem and then he wanted me to pay for half the cost of the replacement parts, even though the problem was caused by poor workmanship on the part of the contractor.

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In December 1990 our furnace quit working. This problem was not fixed until 27 December, about 12 days after it was first reported. It was so cold in my unit for three days near Christmas that ceiling paint cracked and fell out in large chunks.

In closing, let me state my total support for Bill 4. Rent review disrupted my life for over a year and no tenant should ever have to endure such disruption. My mother and sister are also tenants and both have recently experienced this disruption in their lives.

Landlords are claiming that maintenance will suffer under the new legislation. My own experience suggests that maintenance problems are anything but new. For some time now, tenants have had their rights protected in the law to save them from unscrupulous landlords. Now is the time to enshrine in law a bill that will protect tenants from outrageous rent increases. I ask for the help of the committee in passing it and thank you for this opportunity to speak to you.

Mr Turnbull: Mr O'Neil, in going through this submission that you have made, I find several items which rather suggest to me that your landlord has not been dealing with you fairly, and I have to say that these are issues that by and large will not be addressed by Bill 4. It would not appear to be reasonable, the way he was trying to evict you and saying there were other units available. It is rather

bizarre. There are avenues you could pursue and I would suggest that you certainly sit down with one of these advocacy groups which would be able to advise you on that. But let me direct my questions to a little bit of understanding about your apartment. How many bedrooms do you have in your unit?

Mr C. O'Neil: One bedroom.

Mr Turnbull: How much is the rent?

Mr C. O'Neil: I do not tell anybody how much my rent is, sir.

Mr Turnbull: Could you tell me what percentage of your income it is?

Mr C. O'Neil: I have a different job now, so it is not as much, but it is still probably around 30% to 40%. I have a low-wage job.

Mr Turnbull: Yes. One of the great problems we are finding in these hearings is that there are some, very frankly, heart-breaking stories coming out. We recognize that some people are paying a disproportionately large amount of their income in rent. However, Bill 4 is not going to stop them paying a disproportionately large amount of rent and they are effectively being pressed into the lowest level of housing. What do you think about the idea of a shelter subsidy to individual people?

Mr C. O'Neil: First of all, I think that is a good idea, but I have not really thought about that much. A housing subsidy would be a great idea.

Mr Turnbull: What we are advocating basically is that rather than having all tenants controlled in their rent, where they may be driving a fancy car and can economically afford market rents, we target those people who are most severely strained and we make sure they are better off than they are today. This is the problem we have with Bill 4, because frankly Bill 4 does not address your concerns.

Mr C. O'Neil: It does address my concerns. In the last year my landlord came to me, after he had already filed once for rent review, and told me that he wanted to carpet my unit throughout. I told him that I was not interested in that, because I assumed what he was trying to do was that he wanted to install carpets so that he could go again and file for rent review, which I know is something landlords do.

Ms M. Ward: Mr O'Neil, I see you have certainly gone through a lot of uncertainty through this process and no doubt a lot of stress also. I am glad you decided to stay there and fight rather than just move out when you were first asked to. One thing I wanted to comment on and ask you to respond to is something that we have heard about, but it has not really been emphasized. It is the dilemma a tenant is put in when a landlord applies for an increase and there is some possibility that it may not be granted, the dilemma the tenant is faced with if he stays there, taking a chance that it is not going to be granted. They can be stuck with that large back payment of rent which you were. If they move out, they have to find another place.

They really are taking a chance there. If they are not going to be able to come up with that money, they are

really playing with the odds. Did you find that this was a difficult decision to decide, whether to stay or not.

Mr C. O'Neil: I did not have an option. I had no option. I had to stay and pay a guideline increase because I really did not have an option. It would have destroyed me economically to pay the rent increase that he was asking for at the time.

Ms M. Ward: But you were forced to pay it later?

Mr C. O'Neil: It was not as much as he had asked for.

Ms M. Ward: But it could have been and would you have been able to pay it? What would you have done then?

Mr C. O'Neil: I do not know. I might have had to take out a loan or see a member of my family. I do not know. That did not happen, so it is not something I can speculate about.

Ms M. Ward: But you did have that hanging over your head throughout that whole period, that you might be faced with paying back that amount.

Mr C. O'Neil: Right.

Ms M. Ward: The other thing I wanted to ask you about was the illegal rent and whether there has been any action taken on that or not.

Mr C. O'Neil: No, when I repaid the back rent, on the advice of a lawyer I deducted that amount from the back rent that I owned him.

Ms M. Ward: So is the landlord still collecting illegal rents? I am just looking for the spot in your submission here.

Mr C. O'Neil: No, that was just a receipt that I had seen from another tenant who showed it to me. I do not know what is happening with the other tenants.

Ms M. Ward: That has not been pursued and you are not familiar with what it is?

Mr C. O'Neil: No.

Ms Harrington: I just want to take a moment to thank you very much for coming and giving us your personal history here. I want to clarify on the last page where you talked about the bill that will be enshrined. I want to point out to you that this Bill 4 is interim legislation that is capping the situation immediately as it is, but we are working on the long-term legislation and we are hoping to get that through within the year. This is going to bring together, hopefully, the good landlords and the tenants of this province to get a system that will work for everyone.

Ms Poole: Mr O'Neil, thank you very much for coming before our committee. As Mr Turnbull stated a few minutes ago, it certainly appears your landlord has not been very honest with you and has created a lot of havoc in your own life. I just have a few questions, if you could answer them. You may not know the first one exactly, but do you have any idea how old the building is? Would it be 30, 40, 50 or 60 years old?

Mr C. O'Neil: It is quite old. I do not really know how old it is. I have been there for 12 years. It is in an old part. It is in an old section of the city, but I do not really know when it was built or anything, but it is quite an old building.

Ms Poole: But it would not be something built within the last 20 years or so.

Mr C. O'Neil: No.

Ms Poole: It would be one of the older ones. In your brief you mentioned that the landlord had asked for a 34.85% increase in the rent. I gathered from your brief that what rent review actually gave him was 16.86%, is that correct?

Mr C. O'Neil: That was for the maximum rent for the building as a whole. Our percentages individually fluctuated somewhat, but they were all pretty much in that area.

Ms Poole: So what were the reasons? I assume that because the landlord said he needed vacant possession, he did fairly major work. What kind of work did he go to rent review about?

Mr C. O'Neil: Under the low-rise program you cannot get money for doing frivolous repairs; they have to be major repairs. He put a new roof on, new siding, upgraded the electrical system and then there were individual problems in the units that he looked after. There were some plumbing problems and things that were also fixed.

Ms Poole: Do you think that some of the work that he did was necessary and that then you could have done without other things or do you think none of it was necessary?

Mr C. O'Neil: I think all of it was necessary. In addressing the termination of tenancy notice, there was no need for me to not be in the unit. Yes, it was necessary, but as far as that goes, since he bought the units just a couple of years before he attempted to do these repairs, that is something he should have considered in his purchase price. Why should the Ontario government be subsidizing him to do major repair work on the units?

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Ms Poole: One of the dilemmas we face as a committee is that some of our older buildings need in particular major repair work done. My own fear is that if there is no provision in the legislation for it, some of this work simply will not get done by anybody, so what we are trying to do is to find a solution that is fair to the tenants and certainly that would ensure you do not have to go through what you went through with this particular landlord, but at the same time looks after our older buildings.

MOORE CUSTOM HOMES LTD

The Chair: Moore Custom Homes is next on our itinerary. We are following the same procedure as we did for Mr O'Neil.

Mr Baker: I would like to make one request, that due to the involved nature of this issue, if I run a little a little overtime, the time be taken from the question and answer period if that is possible.

The Chair: I need consensus of the committee members to do that. Is it agreed? Granted. You can start any time.

Mr Baker: My name is Mark Baker, vice-president of Moore Custom Homes Ltd, a local residential apartment development company. We manage and own buildings in the Windsor area.

It is difficult when discussing this proposed legislation not to dwell on specifics. Bill 4 cries out for specific examples of its counterproductivity which prove that it will hurt the very people it wants to help.

According to the Globe and Mail, Ontario bankruptcies and unemployment are at all-time high, construction starts are at an all-time low and the cost of living is increasing steadily. Since 1985 there have been 165 private units built in Windsor and 1,341 publicly funded units built. As long as the government acts to displace the private developer, taxes must increase as a result to pay for that development, in fact impoverishing the very people the government says it wants to help by constantly raising their taxes.

As a result, residential apartment builders are on strike in the province of Ontario. However, unlike factory workers or civil servants, we do not waste time by picketing. To understand this, I ask you to consider what kind of man builds buildings and what motivates him.

If the government takes away our freedom to build the kind of apartment buildings we want to, we will in turn build condominiums or build shopping centres or eventually build abroad. I submit to you that there are two types of man in any period of history, the risk-taker and the non-risk-taker. Every year our society recognizes the growing number of the unmotivated whose only goal in life is to work long enough to be eligible for unemployment compensation or to stay on welfare as long as possible. As long as we penalize the productive and celebrate the unproductive, bankruptcies will soar and the self-made man will disappear.

Already Bill 4 has threatened the livelihood of individuals I admire. They are not landlords, but contractors, large and small, with whom my company has had a relationship spanning decades. I have submitted to you letters from some of my contractors who, true to Bill 4, have had to lay off employees. Here we must pause in order to use the specific effect of Bill 4 and examine its operative principle.

When I presented the fact to Minister of Housing Dave Cooke last Saturday at this very hotel that I had cancelled \$500,000 worth of capital expenditures due to Bill 4, he refused to acknowledge the effect of Bill 4 and its causal relationship on an already worsening provincial economic condition. In 1989, according to rent review services, \$122 million of expenditures were granted in Ontario. Already across the province contractors have lost work. My painter was forced to lay off five men, who probably will end up on welfare. Ironically they may one day apply for government housing, having lost their jobs due to government legislation.

If the NDP wishes to be re-elected, it must take responsibility for the impact of its actions on the economy. But to do this, the government must recognize the principle, first formulated by the Greek philosopher Aristotle, of cause and effect.

The Globe and Mail published an article on 16 January of this year on the construction slowdown in Ontario, and a separate article in that same paper on Bill 4. There was no recognition by the reporters of the fact that one feeds off the other. Obviously, many members of our society,

and especially those in government, have a problem recognizing cause and effect.

I remind you that originally the Tories introduced rent review in Ontario in 1975. It was inevitable that eventually rents would be frozen. However, the Tories did not recognize that by introducing rent review legislation they were opening the door to an eventual elimination of property owners' rights. Similarly, those who advocate greater rent controls today by not allowing rent increases based on capital expenditures do not see the effect it will have on their own property rights.

Once the government has the right, in the name of the common good or to correct some perceived evil, to eliminate the rights of one group—in this case property owners; the same is true of what was done to the doctors—eventually all groups are vulnerable, as are all rights.

According to Dave Cooke, affordable housing is a right. What he is saying is that the recipients of housing have more rights to that housing than the creators of the same housing. This principle is a perversion of justice. There is a lot of ink spilled on the subject of rights. However, no one discusses the origin of rights. Rights must be analysed in relationship to the nature of reality and the nature of human identity.

Human beings have rights because they are rational beings or thinking individuals. We use our brains as our primary tool of survival. We think, and we act based on those thoughts. Property rights are the second most important right because, for example, the buildings we build are concretizations of our thoughts. Our primary right, from which all other rights are derived, is the freedom to think uncoerced by government or other men. The failure to recognize the origin of rights explains the hostility to wealth and capitalism, which is a common denominator in public policy discussions in our province and country at large.

By separating us from our property and by taking away our control and our responsibilities, the government is driving a wedge into our identity, which is made up equally of mind and body. Recently, we have witnessed a frustrated citizenry who could not stop the GST even though 75% of the population was opposed to it. The average citizen or tenant does not understand that being taxed for services they do not use is a violation of their property rights. By advocating an elimination of property owners' rights, tenants are opening the door, just as the Tories did in 1975, to a never-ending cycle of tax increases and property confiscation.

Promises of "tax the rich" never pan out, because it would leave governments a great deal poorer since factory workers account for more tax revenues than the wealthy. At the present, the government does not confiscate outright our buildings. The only confiscation is via exorbitant taxation. However, by eliminating our control, we are left with the responsibility and risk of expenses and taxes without any of the benefits.

I offer the government the opportunity to buy my buildings at considerably less than it costs taxpayers to build non-profit housing. I would rather you buy them now because eventually, as our already aging housing stock

ages more and deteriorates, just as in Manhattan, New York, owners will walk away from buildings that are too costly to repair.

If the building department orders me to fix a roof that presents a safety hazard and I cannot raise capital due to depressed rents or receive a competitive rate of return, I will leave that money in the bank, where it is earning a relatively risk-free return and give the building to whoever wants it, probably the government, for non-payment of taxes.

This is the ultimate effect of rent control legislation. Investment money always flows to the highest rate of return. Since rent review was enacted, the private sector has been building less and less units and the government has been building more and more. The government is, in effect, nationalizing the housing industry. I have a higher than average vacancy rate because some of my tenants move into government-subsidized units which are newer and more expensive than my pre-1977 units.

In a non-profit building in Windsor at the corner of Erie and Dougall, a 570-square-foot one-bedroom rents for \$545. My 750-square-foot one-bedrooms rent below \$545. Non-profit's 700-square-foot two-bedrooms rent for \$640 and some of my 950-square-foot two-bedrooms rent below that.

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The Windsor Star reported that Windsor Housing Authority was boarding up units due to neglect, vacancies and the fact that low-income tenants prefer newer units. Basically, the private and public sector are in competition. However, I cannot raise capital or cover a loss or deficit with higher taxation. I also cannot change the rules in midstream to enhance my advantage. The government is also not bound by the Landlord and Tenant Act or rent review legislation. How fair does this committee think it is, that I compete with newer subsidized units when I am prevented from raising rents based on capital expenditures? The government, by tying my hands, is preventing me from competing with non-profit housing and ultimately will put me out of business, as they did to the private doctors in this province.

The previous rent review legislation has inadequacies, but your solution is to make a bad situation much worse. I recommend less government regulation, not more. In eastern Europe the populace has no basis for political rights because they have no individual or property rights. By taking away our property rights, you endanger our political rights and civil liberties. In a properly run constitutional democracy our local MPs would know and care about our concerns and represent us in the Legislature. Our needs are different from Toronto or London. For example, we desperately need sales tax relief because our retailers compete with US retailers. However, due to the undemocratic practice of party discipline, if our local MP voted against the GST or rent control legislation he would be disciplined and expelled from the caucus and/or the party.

In a proper democracy, change begins with actual concerns of the populace. In Canada, for example, GST legislation was forced on us from the top down. The political system has a fundamental hostility to individualism and

encourages MPs to adopt a herd mentality. MPs represent the party to the constituent instead of representing the constituent to the party. The system penalizes this committee members' individuality and independence due to a paternalistic and centralized party system. You in turn treat the citizenry in the same manner the party hierarchy treats you, by encouraging dependence on government rather than independence. Hence, a legislation adopted by all political parties through this anachronistic system consistently violates individual rights by appealing, for example, to the tenant or union vote in order that politicians violate certain people's rights to gain unfair advantage and be re-elected. MPs are accountable to their parties, not their constituents.

As Dave Cooke stated to a group of landlords and contractors last Saturday, I quote: "I do not represent you. I represent most of the tenants." What he represents is a utopian socialist ideology. Hence, he ignores the facts of reality and the actual effects of his policies.

If you must intervene in my private affairs, I recommend you subsidize those who need it with rental vouchers. Build all the units you want, but by what right do you control my prices when other products are exempted, unless, of course, you eventually plan to regulate all industries. I will take you through my buildings and you can count for yourselves the late-model cars, sports cars and Mercedes's. Maybe it warms your heart, but many of my tenants spend the winter in Florida where you and I are subsidizing their vacation condominiums. I remember as a child not being able to understand why we received baby bonuses. It seemed so irrational and expensive for the government to help those who did not need it.

Freedom requires independence and responsibility. If a tenant does not like the building he lives in or the rent he is paying he can move out. After all, he lives there voluntarily. If rent is too high, tenants will vacate as long as regulations do not diminish supply by preventing private building. This is the self-regulating mechanism of the free market. Government housing has no such mechanism to control rents and abuse, as was proven by the still unresolved Patti Starr affair and recent Windsor Star revelations that the Windsor city administrator, Hilary Payne, has recently begun to moonlight as a developer.

In a free market and before 1975, when Ontario still believed in competition, sometimes rent was increased and sometimes it was rolled back, depending on supply and demand, but at least there was private construction and the tenants had choices. Today, after years of rent review legislation, there are shortages of private units. The higher-than-average vacancy rate is due mainly to non-profit and condominium unit competition. Before rent review, Canadians were the best-housed people in the world; today we are the 20th and falling. One wonders what the proper role of government is.

I always thought government should protect our freedoms, but when the government becomes the primary agent violating our individual rights, one wonders what hope there is for freedom in this world. Having lived in and travelled to other countries, I love the freedoms I have in Canada. However, I now understand that individual lib-

erty is seriously threatened in Ontario. Just as the Tories began the domino effect of destroying property rights, Bill 4, with its retroactivity, its similar treatment of all Ontario cities and similar treatment of all landlords as villains, threatens to unravel the thread of individual freedom. I am extremely frightened at present. I have cancelled plans of capital expenditures and additional apartment acquisitions and am considering other alternatives.

How can I trust a political system that does not follow a rational course? For example, post-1975 buildings were retroactively covered by rent review legislation in 1986. Hence, the promise of a two-year moratorium is to me meaningless. Thank you.

Ms Harrington: Mr Baker, you have a lot to say there. You started off by talking about rights and I do want to just touch on that for a moment. Back in 1948 the United Nations was describing what we call basic human rights and listed about five of those and some of them were education and health care and housing. What we have evolved over many years in this country is public education and public health care and what we now are thinking about is that housing is not just an investment, that that is not how it should be primarily seen in this country, that apartment units are primarily people's homes. This is maybe a difference in philosophy that we have. It is also probably a very basic difference between here and across the river.

I wanted to ask you what buildings you own. Do you have one apartment building or more?

Mr Baker: More.

Ms Harrington: What types of rents are you charging? Could you tell me how many units you have?

Mr Baker: I have more than 500.

Ms Harrington: So we have all kinds of rents here. Could you give me an idea, say, in the last year what per cent increases you charged?

Mr Baker: What part of the city?

The Chair: Order. Committee members will remember that we gave up some of our time. So I am sorry, Ms Harrington, we are going to have to move on.

Ms Harrington: I just wanted to mention the problem that you brought up. I think your primary problem was with regard to the cost of capital expenditures and I wanted to assure you that that is something we are looking into.

The Chair: Thank you. Ms Poole.

Ms Poole: I knew you would remember who I was.

The Chair: I was waiting to see who was going to be first.

Ms Poole: Thank you for your presentation today. I just wondered if you would elaborate on one comment that you made. You mentioned that you had cancelled \$500,000 in contracts since Bill 4 was announced.

Mr Baker: Correct. That was work on four different buildings.

Ms Poole: What was the effect of that \$500,000 cancellation on contractors that you would normally use?

Mr Baker: I submitted a letter. One of my contractors laid off five people, he was counting on that work and he had cancelled other work because we had a signed contract and it was significant; \$200,000 worth of plumbing work for a small, local plumbing contractor. There was \$200,000 worth of elevator work with Otis Elevator. So it will have a negative impact on the economy, there is no question about that.

Ms Poole: The supplier and tradespeople that you had contracted the work out to, did they indicate what proportion of these layoffs was due to the effect of Bill 4 and what proportion would have been due to the downturn in the economy or perhaps seasonal adjustments, such as the fact that we are now into wintertime?

Mr Baker: The letter I submitted from my painter indicates that he saw the connection directly with the timing of Bill 4. My point is that you have to integrate everything that is going on. You cannot look at anything in a vacuum. As I stated, Mr Cooke refused to acknowledge the impact that Bill 4 will have on a worsening economic condition. You could say, "Well, the economy is bad anyway," but government has power and can do things and cannot do things, and when it does things it has impact, as we all do.

1500

Ms Poole: I think your point is very well taken. It is important that we reconcile our social policy with our economic policy. Neither of them can work without taking the other into account.

Mr Baker: Of course.

Mr Turnbull: Mr Baker, because of the time pressures I will just have to keep it fairly brief. Are you a developer as well as a landlord?

Mr Baker: Correct.

Mr Turnbull: Can you tell me how much it would cost to build an apartment unit today, an approximation, in the Windsor area? Let's say you were building a 50-unit complex, on a per-unit basis.

Mr Baker: Approximately, I would say, between \$50,000 and \$60,000.

Mr Turnbull: Is that land included?

Mr Baker: Yes.

Mr Turnbull: So you could do it for those kinds of numbers. You raised to me what is one of the most important issues, the fact that the government, if it were really seriously interested in making sure that people were properly housed and making sure of affordability instead of spending vast amounts of money on a limited number of non-profit houses—you have told me that it is building non-profit housing which it is actually renting for higher rents than you are renting your for-profit housing for.

Mr Baker: Because they cost close to \$100,000 a unit.

Mr Turnbull: In other words, they are spending more money to build non-profit housing than you can build for-profit housing for. It does not make any sense to me whatsoever.

Mr Baker: It does if you consider my points, that basically the political system is hostile to individualism and that we live in a country of incredible statism, where the government is more capable of taking care of the citizen than the citizen is of taking care of himself.

Mr Turnbull: I think one of the problems here is that you have a government that has married itself to making a political statement rather than providing affordable housing to people. Your suggestion of selling your buildings to the government so that they could be available at a lesser cost than the new housing it is building as co-ops makes a lot of sense.

Mr Baker: No offence, but it is not just the government. The Tories did originally bring in rent control and started this fiasco we have. So all political parties are hostile to individualism. That is the problem.

The Chair: Mr Baker, thank you very much for your presentation today. We have to move right along.

SUN PARLOUR INCOME PROPERTY ASSOCIATION

The Chair: Sun Parlour Property Owners Association, Sylvia Kamen.

Mrs Kamen: I am very happy to be here today. I represent the Sun Parlour Property Owners Association. It is an organization that has members from Windsor, Tecumseh, Amherstburg, Ruthven and Leamington. The majority of our members are small independents. We have a few medium-sized and a few larger ones.

The reason for my being here today is that we have a serious problem in housing. All we are asking for is a solution that will be fair both to the tenants and to the landlords.

The majority of our landlords, the ones for whom I am speaking today, are small investors. They are people who have worked in retail stores, small manufacturing, blue-collar jobs, who do not have the benefits of working for the three larger, major motor auto companies, working for the board of education or for the government and who do not have the benefit of indexed pensions.

They are people who have sacrificed much. For the majority of them, we are talking a six-unit or 12-unit. They did it because they realize they cannot possibly live a life of any type of dignity on the government pension. They do not want to be beholden to their children or to their government. They want to live out their lives with dignity. What people seem to forget is that housing is a business, a business that is now in crisis.

It is a problem that has been created over the past 15 years. The reason why it is in crisis is because we have found that the government has taken over housing. It feels it can do a far better job than private enterprise can. I think that is a very serious mistake in judgement. I have figures here before me. None of these figures was picked out of the sky. They are figures that I have from the CMHC, Canadian housing statistics, Ontario region report. The report shows you very simply and very graphically what has happened when there is interference in private enterprise.

In 1973, before rent control, the vacancy rate in Ontario was 4%. Rental housing starts in 1973 were 25,933.

Public housing was 11,114. Total accommodations: apartments, 37,047. In 1975, when rent control came in, the vacancy rate is 2.2%. Private housing is 3,691. Public housing is 6,619. For the year, there are now apartments available for tenants in the amount of 10,394.

In 1989—this is the government figures—the vacancy rate now is 0.9%. Private housing has now come down to 6,316. Public housing is 4,684, creating 11,000 new units. It simply goes to show that rent control does not work. What it does is put a burden on the taxpayers. We now have in Ontario young families buying a house, where the husband and wife both have to work to keep the mortgage payments going. There is a high price being paid for that—a price for the mothers away from the home. It is a situation which is getting increasingly worse. There is a price being paid in children on the streets, of truancy, and we are paying a high, high price for this.

Mr Baker said it very well. It is the taxes that keep going up and up and up without end. We find that the middle class, the hardworking people, simply cannot do it. Why do we now have this terrible phenomenon of a husband and wife, two now, having to work just to pay the bills?

The statistics I have given you have told you that when you bring in rent control, when you do not allow someone to make a reasonable profit, they are not going to build, they are not going to create. They are just going to sit back. What happens then is that the government has to come in, and this is what we are seeing, and take over the housing—but at what cost.

Statistics from the Ministry of Housing, and this is just since 1985: The Ministry of Housing operating costs have increased 236%; this increase in expenditures despite a waiting list for assisted housing in the province that has doubled.

The cost of maintaining just the Ministry of Housing is \$540 million. That is just the beginning. One should consider that according to former Minister of Housing Sweeney, social housing programs will soon exceed \$900 million. Obviously, this province can no longer tolerate such expense. This province already is heavily in debt. There must be a solution to this.

The solution is something that is very simple and makes sense. There has always been and will always be people who need to be subsidized. We do not question it. It is the approach to subsidizing. These large apartment houses, as the gentleman just found—units can be built by the private sector for \$60,000, but when it comes to the government we are talking \$100,000 per unit. The costs are becoming ridiculous. Why do you not simply give people who need to be subsidized a cheque? Why house people in cement blocks, warehousing elderly people? Why not give them a cheque and let these people live where they want to live? They will be subsidized and the cost of building these large apartments will stop.

1510

There is another factor besides the human factor in this. What the government does not seem to realize is that every time you put up a large building that is subsidized housing, you have lost taxes. This has gone on for 15

years. We are past the fat, we are past the meat, we are down to the bone, right down to nothing. If this keeps up, there will be no private construction. Up to now rent review has been of some help, but keep in mind that only 30% of the landlords applied for rent review, a very small amount. But if they are not even allowed to pass on their expenditures—we are not talking frivolities. We are talking a new roof, we are talking a new boiler and we are talking \$10,000, \$15,000 or \$20,000 for one major expenditure. We are talking new stoves and fridges, new windows, because keep in mind that the majority of the apartment stock in Ontario is old. If you do not allow them even to pass down their expenses, how do you expect them to exist?

Somewhere along the line, someone in government has decided that people who work hard and invest their money in housing are second-class citizens, that we are now to become indentured servants. We are not going to accept second-class citizenship. We are Canadians, we are taxpayers, and we have rights, the right to invest in something and the right to get back a reasonable return. After 15 years, after looking at these numbers, it is not my opinion. That is the way it is. If this government really cares about all the people of Ontario, not a selected, elitist group but all of us, it is going to have to look at the figures and come to a new approach. The new approach has to be one of common sense and one of treating everyone fairly.

Our association has never questioned that people should be subsidized. It is the approach which makes no sense at all. To come in with this bill, to try to force people who themselves came here from Europe—most of them are small builders, who, after work, will build a duplex or a fourplex or a sixplex as a starter and who work and create jobs, who only want to be productive people, who only want to live out their lives with dignity. You are even taking that away from them. What kind of message does that send to young people coming in? Are they going to stay in a province where there are no rights, where laws are changed back and forth retroactively? You have been given a majority government and you have been given a great deal of responsibility. As a taxpayer, as a small landlord, let me tell you, all we ask is an intelligent approach to housing. The approach has to be fair to everyone.

Hon Mr Cooke: I would be very interested in seeing any of the documentation you could provide, or Mr Baker before you, about the private sector being able to put apartment units on the market in Windsor in the private sector for \$50,000 or \$60,000. I would really be interested in seeing that documentation.

Mrs Kamen: I am not a builder. I am talking for very small, independent landlords. I am sure Mr Baker can help you. If this man has put up over 500 units, I think he knows what he is talking about.

Hon Mr Cooke: But I would like to see the documentation in 1990 or 1991 of whether in the private sector units can be put on the market in Windsor for \$50,000 or \$60,000. I have certainly talked to a great number of developers in this area who have indicated that is not the case.

I have one very specific question: You expressed some concern about the Ministry of Housing budget achieving \$900 million. We are not there yet, but that is certainly going to happen. If we went your direction of having rent subsidies, and I assume that is accompanied with a phase-out or elimination of rent control—

Mrs Kamen: Yes, I think they should be phased out slowly.

Hon Mr Cooke: Have you costed that alternative? I can assure you it is more than \$900 million.

Mrs Kamen: If you were to subsidize by cheque people who need help in rentals?

Hon Mr Cooke: And combined it with the phase-out of rent controls. The subsidy rate would exceed \$900 million easily.

Mrs Kamen: I am not a big developer, but I find that rather hard to believe. If you build an apartment building at \$100,000 a unit and you put it up and you rent it out at a subsidized price, that unit does not pay taxes. The maintenance, as years go on, becomes tremendous, because it is not in private hands. Let's be reasonable; we are all human. If it is not theirs, they really do not care. This goes on year by year, as opposed to a builder who puts up an apartment house. He has to be competitive. He does not have a monopoly; he has to meet the competition. He pays taxes locally, provincially and he pays taxes federally.

The goose has already died. If there is no profit in this, who is going to work? Who is going to invest money, with the legislation we have now, at a profit of 5.2%? Whatever money they have, they will go to a bank and can get 10 1/2%, 10 3/4%, whatever it is. It does not make sense. It is to the benefit of this province, to the people of this province, who are number one, it is your responsibility to look at rules and laws that make sense. I do not think that if you subsidize someone, his rent is even going to be close to having to put up these apartments, not just the cost of the apartments, not the cost of administering it. Where are your taxes?

Mr Brown: I was interested in your association. Do you have members who are adversely affected by the retroactivity, that is, people who have spent money on renovations, have done the work, some even would have conditional orders, and they are not going to be allowed to get those rent increases? Over the past few days, we have heard of real people, not big numbered Ontario companies but real people, who are going to lose their pensions, their life savings, because of the retroactive provisions of this bill. Is that affecting some of your members?

Mrs Kamen: That is correct. Some who started work in spring, with work finished in late fall, are caught in a bind. We are not talking cosmetics but major brick work, because this building is 62 years old, so there is major work to be done. They modernized the bathrooms completely, putting in new plumbing, new fixtures, new fire-proof doors; we are talking legitimate, worthwhile improvements.

Mrs Y. O'Neill: Would you like to tell us a little about the kind of people who belong to your association? Are

some of them seniors? You gave a very brief overview. And some kind of incomes they have had during their working lives? What I got from your presentation is that we are talking about very ordinary people who you are representing.

Mrs Kamen: That is right. The majority of our members are small landlords who have a 10-family, 12-family, 18-family or 22-family building. As I said before, this is their money and they realize there is no pension for them. If you work in a retail store, there is no pension for you.

1520

Mrs Y. O'Neill: I think that is a very important point and I am glad you brought that to the committee.

Mrs Kamen: This is it. I have news for you. There are hundreds of thousands of people who are leaving their work, in their senior years, and the only thing they have is their pension and that small piece of real estate that they hoped would sustain them, that they could live out their lives with some dignity. They do not want to come to the government. We are talking about the people of Ontario. They do not want to be beggars. They want to live out their lives. They invested in it, they built it and they are entitled to a return. At the same time, those who need help should get it, but with a different approach, because the 15-year approach we have had up to now simply does not work.

Ms Poole: On a point of information, before we go to Mr Tilson, Mr Chair: The minister asked the presenter if she had statistics on the cost of a subsidy program vis-à-vis our current system. I can understand why the presenter would not have that information. If anybody does, it would be the Ministry of Housing. Is it possible to ask them if they have this type of information and, if so, if they could table it with the committee?

The Chair: Would some ministry staff person who could help us out come forward, please?

Hon Mr Cooke: This is one of the questions I asked not too long after I got into the ministry. It is a very difficult figure to provide because it is difficult to project exactly what would happen to rents in the province. When rent controls are eliminated, then they rise and more people would have to come in to apply for the subsidy. So it would be very much a guesstimate. We can provide you with the best guesstimate we can come up.

Ms Poole: A range perhaps.

Mrs Kamen: Mr Cooke, excuse me. If you were to look in the Windsor papers, you will find many ads: one month's free rent, two months' free rent for signing a lease. We have a high vacancy rate. What is the worry?

Hon Mr Cooke: We did not have a high vacancy rate a year ago.

Mr Tilson: I really would like to proceed with my questioning.

The Chair: I believe Mr Tilson is correct.

Mr Tilson: I do not think your figures are out of line with respect to the difference between non-profit and private enterprise. We have had testimony given to us in

Toronto, Toronto people have said it would be \$100,000 for private enterprise and \$140,000 for non-profit, so the percentages seem to be correct. This is from two different sources. I agree. I think it is up to the ministry to justify why they are destroying private enterprise in this province. It is just as simple as that. I do not think the onus is on you; I think the onus is on the ministry.

I would like to ask you whether you have direct or indirect knowledge that any residential builders have left the business of building apartment buildings and moved into perhaps some other ventures such as commercial buildings as a result of Bill 4?

Mrs Kamen: That happened shortly after 1975. There is hardly any new construction, and those who have left have gone into condominiums.

Mr Tilson: So you are saying as a result of rent control.

Mrs Kamen: They have gone away from it. What you see now is any approach they can get to avoid this. They have gone into condominiums, strip malls, commercial. I am using Housing statistics. I am not making this up.

There is a reason I am here today. We have a new government, we have a new Minister of Housing. The reason we are here today—I am here on behalf of the association because we have quite a few small landlords—is to tell you it is hurting and we are looking forward to our new minister looking at his job fairly. It has to be decisions which are good not just for tenants but for landlords and for all the people who live in this province. They are paying the cost of all of this. I think that is as much of the load as they can carry. We are at the end of the line.

Mr Tilson: I have nothing to add to that statement.

The Chair: Mrs Kamen, thank you for coming today.

LUCIER ESTATES MOBILE HOME OWNERS ASSOCIATION

The Chair: The next presenter this afternoon is the Lucier Estates Mobile Home Owners, Mrs Tyssen. Mrs Tyssen, you have been allotted 20 minutes by the committee: 10 minutes for your presentation followed by 10 minutes of questioning. We would ask all presenters to identify themselves and what positions they hold with their organization for the record, please.

Mrs Tyssen: I would first like to thank the committee for allowing us to appear here before you today. My name is Mrs Janet Tyssen, and I am a board member of the Lucier Estates Mobile Home Owners Association in McGregor. I would also like to introduce our president, Ivan Ronald. Our organization is only three months old and we are representing a total of approximately 262 sites. Joe Lucier is the landlord of Lucier Estates.

For as long as I have lived there, which is 13 years, we have had rent increases every year, some of which have been quite high. We rent the land, not the mobile home itself. Not included in our rent are taxes, hydro and gas. The taxes are paid directly by us to the township of Colchester North. We maintain our own sites and our mobile homes. Upon rental of a vacant lot, Mr Lucier supplied the cement slab, the driveway, the porch and the sod for the

property. However, if the porch becomes uneven or the cement in the driveway is crumbling or the ground is sinking, Mr Lucier holds us responsible for the cost of the maintenance required.

He asks us to be proud of our park and to keep it beautiful by lawn upkeep and the planting of shrubbery. However, the medians and surrounding areas are covered by dandelions and weeds. In winter, the roads are poorly maintained in regard to snow and ice removal. One lady, out of several, has already fallen on the ice. Even though her injury was only minor, it could have been a lot worse due to the fact that she was eight months pregnant.

The streets must be kept clean and well-lighted, as stated in Mr Lucier's original rules and regulations. However, tenants have had to complain a number of times to get their street lights repaired. They also state that travel trailers, boats and other vehicular equipment shall not be parked on driveways or on streets and that an area designated by management will be set aside for parking such equipment. We did have such an area for our resident use; however, it was taken away to make room for the building of his new homes, not mobile homes.

Our playground, which the original home owners association supplied the swings and the ball diamond back-stop for, at their own expense, was moved to make way for the new homes, and the playground now consists only of a mound of dirt and two old, large tires.

We have a community centre and laundry facilities, but our access time has been greatly reduced. In the community centre, the pool room and the meeting area downstairs was painted by the original home owners association at no cost to Mr Lucier. We also do not appreciate Mr Lucier's \$15 late charge, as we understand that it is illegal under the rent review act. We know our obligation is to pay the rent at the first of the month; however, sometimes due to unforeseen circumstances this is not possible, no matter what efforts we make.

We are in the process of going through rent review right now to fight the proposed rent increase. We have only been able to go through some of his submissions, since all of them have not been turned in. From what we understand, the majority of his submissions pertain to the new housing development, not the mobile homes, and deal mostly with capital expenditures. I was told that we as renters could stay renters and that the leasers would be the proposed co-op. So why do we as renters have to pay for Mr Lucier's expenses incurred in the new housing section?

1530

Some of his submissions are impossible to comprehend, as they do not clearly state what they are for and who they are from. We also feel that some of these submissions are possibly tax-deductible business expenses, such as the reshingling of the community centre roof, which also houses his offices, maintenance shop and variety store. If this is a tax-deductible business expense, why should this expense be passed on to us as part of the rent increase?

Some of his submissions are hard to understand, such as when he states: "All of the inhabitants of the park utilize the new streets that have been constructed, as they allow a

'through access' to the park, connecting the park with additional means of entry and exit from the park, as well as providing access to some of the common areas in the park, including the play area, the pool and the community centre." There have been only two exits and entries to the park for as long as I have lived there and they are located at the beginning and at the end of Parkside Drive, which is one of the original roads which was only resurfaced. The play area, the pool and the community centre are also located on the original roads of the park. New roads and services established in the new area are of no benefit or improvement to the previously existing park area.

He also states that the new units that have been constructed by him and form part of the Long-Term Lease Organization are not benefited in the least by the repair of the existing roads, such as Parkside Drive, since they do not need access to the older units within the complex. If this is the case, I would like to see how they pay their maintenance fee or go to the mailbox or to the store or even, for that matter, get in and out of the park.

We have run into some questionable expenditures, as for example the submissions where the Wildwood Golf Course and RV Park is mentioned. This park has nothing to do with Lucier Estates Mobile Home Park. He has also submitted many expenditures for the new homes section. We were under the impression that he was to recoup his expenses on the new section when he sold the new homes and the lot leases. Also, there was a submission about Ontario Hydro billing Mr Lucier for damage caused to Ontario Hydro property in the new section amounting to \$437.56. This is an expense we the renters feel we should not be held responsible for.

Any improvements that have been made to the existing mobile home area have been minimal. He has resurfaced some roads and replaced certain lights. He is claiming a cost of \$106,976.58 for our road repairs. However, when it comes to the new section, he is claiming \$278,065.96 for new streets and services.

Mobile homes and the like are supposed to be a more economical form of living. The people of Lucier Estates are concerned and worried about the proposed rent increase. Some feel it is too high for their incomes and some are also concerned about the resale value of their mobile homes. Mobile home owners should not have to allow themselves to be held hostage by unfair rates of rent charged by indiscriminate park owners, but unfortunately this is pretty much the way we would describe our present situation.

Apartment renters, when discouraged by high rents, while both emotionally and financially a burden, can move elsewhere to seek lower rent, whereas we cannot do so as easily. We must either sell our mobile home or physically remove it to another mobile home park at great expense. Mobile homes are not permitted anywhere in Essex county except in mobile home parks, so we are bound by the high rents we are charged. We have to keep these rents in perspective to accommodate residents so that they can still live decent lives, for if they cannot live here, where can they live?

Although we understand that the situation we just described to you basically pertains to the Lucier Estates Mobile Home Park, there are many, many others who share the same types of concerns, and we hope this example serves to make you aware of how much tenants in Ontario need this legislation and as quickly as possible. I would like to take this time to thank this committee for your time and effort in helping to establish a better system of rent control. We beseech you to pass Bill 4 as soon as possible to help us out and put our lives at ease. Thank you.

The Chair: Thank you, Mrs Tyssen. Mr Tilson, you are first.

Mr Tilson: I have no real question other than a comment perhaps that you have raised some questions which, I must confess, confuse me, and it may be my lack of knowledge of the mobile home area. I hope the green paper that this minister is preparing addresses this, because the only item in Bill 4 deals with an amendment to change the Cartwright decision. That is the only reference in Bill 4 to mobile homes. Obviously, you have used terminology that I am not familiar with, and I hope maybe other members of the committee can enlighten me, but "new section," "old section"—in other words, who has what rights, who has other rights, areas for seasonal units, areas for permanent units? Do those people have different rights? Obviously they should, but there needs to be some explanation, at least from my perspective as a member of this committee.

The issue of utility services or services such as hydro, water, septic systems that are normally in some areas paid for by the municipalities, and yet it appears in some of the mobile home areas are paid for by the landlord—should the tenant pay for that? Those are tremendous expenses. If the Ministry of the Environment comes along and says that your water treatment system has to be replaced and if the landlord has to pay for that, it may be an astronomical cost, and it may be an astronomical cost for the tenant to assist in that. These are, from this committee member's perspective, very difficult for me to understand. I do not know whether, in the short time we have, you have any thoughts on that, but I hope the green paper will address these areas.

Mrs Tyssen: What I can basically state to you is that we were all a mobile home park to begin with. Now Mr Lucier has decided that he wants to, shall we say, get out of it, so he is building these homes and leasing the property because he cannot sell it. He cannot give a deed to it; it is not the required lot size. It is going to be turned over to these people within a certain length of time and become a co-op.

Mr Tilson: All of this may necessitate completely new legislation that has nothing to do with landlord and tenant legislation, or it may mean amending existing legislation. It seems to me that you are clearly in a category all by yourself, as opposed to the apartment building.

Mrs Tyssen: Yes, but we still have the high-rent increases that the apartment building.

Mr Tilson: Yes, you do.

Mrs Tyssen: Mine is going up 13.4%. Why should it go up 13.4%, when nothing has been done to maintain the actual existing park itself?

Ms Harrington: I have a couple of brief questions. How many mobile home units are in this park?

Mrs Tyssen: There are approximately 262 sites.

Ms Harrington: It is a big place.

Mrs Tyssen: That is just the mobile homes; that is not including his homes.

Ms Harrington: Is it close to Windsor? How far?

Mrs Tyssen: About 20 minutes outside of Windsor.

Ms Harrington: What I really wanted to ask was about the increases. You stated yours for this past year. Would that be the same for the other units?

Mrs Tyssen: No, apparently the \$167s, I believe, are going up a little bit higher. I am at \$207 right now. I am at \$207 because, unfortunately, when I moved in, I was not under rent control for a great many years. He decided to put it up the way he saw fit, so there is a discrepancy from a \$167 to a \$207 unit.

Ms Harrington: Going back a couple of years, have you had other increases that were more than the guideline?

Mrs Tyssen: I have personally, yes, because I, like I said, was not under rent review. I have had 10%, 12%, 8%. That is why in a way we do feel that this is necessary to curb these, because you can only stand so much before it takes over and you have to either move somewhere else or do something else.

1540

Mr Mammoliti: Something you said near the end of your presentation got my attention a little more than the rest of your presentation. That was that you just cannot pick up and go, that you have to physically take the mobile homes out. It reminded me of a speaker who was actually two before you, Mr Baker, who said that if tenants do not like the rent, then they can just pick up and move, which means that they have a choice. Frankly, you do not have a choice, do you? What happens if you cannot afford the amount of money that is needed to pick up your mobile home and move? I would think that you would have to leave it there and just abandon it, would you not?

Mrs Tyssen: Yes, definitely.

Mr Mammoliti: In essence, people just do not have the choice, do they? They have no choice sometimes but to move and literally go out on the streets.

Mrs Tyssen: That is very true.

Ms Poole: Actually, several of the questions I was going to ask have already been answered. I just had one final one. You mentioned you were paying \$207, was it?

Mrs Tyssen: Yes, I am paying \$207 right now and going up to \$234 a month.

Ms Poole: Which would be, I gather, the high end of the range, you were saying, because a number of the other lots are much cheaper rent.

Mrs Tyssen: Yes, they are \$167.

Ms Poole: You may not know the answer to this, but again, you may. Mr Lucier has to pay municipal taxes on the site itself. Do you have any idea what would be the amount of municipal taxes payable per month as far as the stationary portion, like your landlord's portion, of the lot?

Mrs Tyssen: To be honest with you, no. But from what I understand when I went down to the tax office on, I think it was last Saturday, they said that before that time the vacant lots were rather cheap to him. Now they are going up. The vacant lots will be going up because they are doing it right across the board and every lot is going to be worth \$10,000.

Ms Poole: I suspect that will mean that the assessment on the lots will be going up so even more municipal taxes will have to be paid. It may be a no-win situation all the way around.

The Chair: I would like to thank both of you for appearing today.

SCARSDALE TENANTS' ASSOCIATION

The Chair: Scarsdale Apartments, Don Fraysure. Just identify yourself for the record and the floor is yours.

Mr Fraysure: I am Donald Fraysure, the chairperson of the Scarsdale Tenants' Association, which was founded in 1984. We tenants live in an apartment complex of two three-storey apartment buildings of 47 rental units on Tecumseh Road East, Windsor. At this time, as I said before, I would like to present this photo display showing some of the problems that we have in Scarsdale Apartments, and I will be referring to this in the presentation.

These buildings were built in 1971 and 1972 by Wonsch Construction Co and owned and managed by this firm and Wonsch and Sons Ltd until 1987. My wife and I moved in 16 years ago, 1 October 1974, and I have lived in three apartments in the complex.

I will try to give a brief financial history of the Scarsdale Apartments. We tenants were well served at first by the Wonsches, who were local builders and owners. We could deal with them on a personal basis. Wonsch's local real estate group seemed to be profitable and expanding. They had a block of six local apartments.

Landlords, like other businessmen, sometimes overextend themselves. Landlords, because of loopholes in the rent legislation, have been able to ease some of their woes by pass-throughs to tenants and by not doing the required maintenance on their properties. Wonsch started doing this in 1980, entering into a deal with Wigund (Bill) Kruger to build the high-rise Victoria Park Place in downtown Windsor. Wonsch secured a line of credit for \$3 million from National Bank. They also expanded into the Edmonton market.

As you are aware, the early 1980s were a bad time to expand. The times were similar to today, a deep recession. The deal went sour and in October 1985 Kruger bought out Wonsch's remaining indebtedness to the National Bank of \$1,600,000. In the windup, Wonsch was forced into receivership but regained control of the Scarsdale Apartments and the five others they owned on 28 November 1985.

It was during the period 1981-87 that the maintenance and repairs necessary to keep the buildings from deteriorating were progressively not being done. We had to fight for repairs or do them ourselves. In 1985, Wonsch applied for a 29% rent increase, but that exorbitant amount was knocked down to a more reasonable amount.

I have rounded off the figures in this section. I hope our convoluted experiences with flipping might help you, because if you listen this is a prime example.

On 2 November 1987, Wonsch sold Scarsdale Apartments to First Windsor Realty Co, Azzis Manji principal, for \$1,032,000. At this time, Toronto flipping and the many-loopholed RRRA, 1986 both hit us. Mr Manji kept ownership until 19 January 1989 when Scarsdale was sold to First Windsor Realty Co, Joseph Polano principal, for \$1,505,600. This was \$500,000 appreciation on a \$1-million investment in 13 months with no repairs.

The next sale was on 10 May and 11 May 1990 from Mr Polano to FWOP, 9553-9555 and 9563-9565 Tecumseh Road East Inc, Barry Benson principal, for \$1,590,450, another appreciation of \$84,850 in 16 months. Here comes the clincher. On 27 July 1990, 11 weeks later, Scarsdale was sold to Suresh Malhotra principal. So in 33 months, five different owners with the attending confusion, raised rents and lack of maintenance and repairs.

In 1989, rent review allowed a 9.74% increase in rents to cover a claimed financial loss of \$40,350 because of refinancing in one of the flips. In 1990, a 9.6% increase was allowed. This meant a total of 19.34% for two years. We are hoping that Bill 4 will hold our expected 1 February 1991 notice to the guideline of 5.4% only.

Based on the weight of 100, the rent review figures of the operating costs breakdown in 1989 for Scarsdale was a claimed maintenance cost of \$13,100 or 16.9 of the total, and a 1990 weight of 15.28 as per formula. Extending this formula over the years 1971 to 1990 we wish to know what happened to this large amount of maintenance money that was claimed and not used for that purpose. For proof, please refer to that display I have passed around.

Considering that a paint brush has not been put to a majority of the windows and trim for a minimum of eight and a half years or longer, the same for the halls and laundry rooms, and last year one window was replaced at sale price, where did the money go?

The only work on the roadway and four parking lots since installation in 1971 has been cold patching and a botched job on clogged drains in the roadway. Driving on them is downright dangerous. Depending on the time of year and the weather, the parking lots are skating rinks or lakes.

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As pointed out, a majority of the windows leak, seals are broken and the windows are clouded. Only three apartments have even close to proper work done on exterior windows and trim. This is because tenants, Mr Robinet, Mr Frenette and I, did our own patching, caulking and painting, at least two coats, on our first-floor apartments. Considering that we were 73, 74 and 80 years old in 1989 when we did this, we feel the system is somewhat remiss in not holding landlords responsible for their obligations.

A halfway, and I do mean halfway, start on a paint job was done last summer. Instead of using a qualified painter, management tried to use a student with absolutely no experience. He did not even take out the screens, so only one sash of the two per window was sloppily painted with one thin coat only. No repairing, scraping or correct sanding. Not even half were touched, because this was in flip time.

The roofs need checking, the outside walls need caulking and painting, patios, steps and sidewalks need fixing, wiring and plumbing are failing. These buildings fall within the poor construction period of the 1960s and 1970s in Ontario. But I point out that in this case, definitely, the prime factor is poor maintenance and repairs being responsible for the deplorable conditions.

We submitted an apartment-by-apartment inventory of major and minor complaints with a photo display similar to this one accompanying it, last 15 July to Marwick Property Management for the present owner. We, the tenants, agreed to wait six months for management to reply. They have done token minor repairs but no major. I do not know if it is coincidence or not, but the representatives are the owners themselves from Toronto yesterday, who for the first time inspected the building. I do not know if that means we are going to get anything. Are we going to have to pursue other means, such as property standards in courts? This will have to be pursued.

A large portion of us are long-time tenants. Also about one fourth of us are retirees. Quite a few over the years have used their own labour and money to improve their apartments. This includes carpeting. These are also our homes. For example, I have lived in my present two-bedroom, first-floor apartment for almost six years. When we moved in, the carpeting in the living room and the hall was so bad that the installer refused to put the new carpeting I had bought over the old. Naturally, with Wonsch's blessing, we took up the old and put down the new permanently, including padding. The cost to me was \$1,500 and the apartment value was enhanced by that amount. I have done all of my own painting and decorating, with the exception of a section of falling wall, which happens quite frequently, I might add. In fact, in an envelope which I have here someplace are receipts for close to \$2,000 of my own money expended in my present apartment only. I have also, with grateful permission, bought my own stove and refrigerator. The replaced appliances were moved to another apartment in the complex, thus saving more capital costs.

The purpose of this hearing is Bill 4. We offer the following:

1. Bill 4, even with its so-called flaws, should be passed with a minimum of foot dragging and stalling. Time is of the essence. Further indecision and delays will only multiply the hardship suffered by all of us, tenants, landlords and suppliers because of the inequities of RRRA, 1986.

2. Go back and thoroughly study all rent regulation previously passed. In these, you will find all of the mistakes not to include in decent rent legislation.

Let's remember that the key words are time and fairness.

Mr Mammoliti: I am not sure if you know of the Steve Miller Band, but they sang a song called Take the Money and Run. As you as went through all these flips, the first thing I remembered was that song. If you do not mind, can I just take a look at those pictures?

Mr Fraysure: Certainly.

Mr Mammoliti: Can I ask you a couple of questions? You have been there a long time, right?

Mr Fraysure: Sixteen years.

Mr Mammoliti: How many times have the windows been painted in 16 years?

Mr Fraysure: I know once. It has been eight and a half years. As I said, the only ones that have been painted—there was an attempted paint job last year, but I would say about half of them. Since the building in 1971, I would say one time thoroughly, maybe twice. I would not narrow it down that much. But I know they had not been touched for eight and a half years, only the grand old trio.

Mr Mammoliti: On this driveway, with all this patchwork and what have you, I can see there has been a lot of patchwork done here. How many times has that been resurfaced in 16 years?

Mr Fraysure: None, just cold patching.

Mr Mammoliti: How many times have they looked at things like this concrete and attempted to fix that sort of thing in 16 years?

Mr Fraysure: None has been touched. That I know of, there are only about two on the first floor.

Mr Mammoliti: You would agree, then, that perhaps all the work that was done in this building was because of the landlord's neglect and because of the flipping.

Mr Fraysure: I would say the majority of it that has been done has been done by tenants, if the work has been done.

Mr Mammoliti: You never stated how much the building was sold for the last time.

Mr Fraysure: I have not gone to land registry yet. They know me; they practically call me by my first name down there. I have not checked that out. I have a notification of who the owner was, but I have not gone down to check through the files yet.

Mr Brown: I think all members of this committee are wrestling with this problem of maintenance especially in apartment buildings. We are also concerned with the flipping issue, but maintenance is something that your photographs show is clearly deplorable and not what you would call a good example of landlords looking after their buildings. But how do you see Bill 4 solving this situation in the near term? What in Bill 4 is going to see that during 1991 your building receives the attention it should get?

Mr Fraysure: I will not refer to Bill 4. I will refer to property standards committee and District Court. If, with logical talk with the landlords and management, with whom I hope to have a meeting next week, we get at some equitable agreement to both of us—the main reason we are supporting Bill 4 is that we are in the third year of a phase-in and we do not want another phase-in which cov-

ers financial loss, as some guy taking the money and running is.

Mr Brown: We understand. So you are going to go through property standards and the normal resource.

Mr Fraysure: First, I am going to try through logical means, by talking to the people to see if we cannot reach some equitable agreement about some of this work being done. We are in the opposite of most of the positions. We are not arguing about money being spent; we are arguing about money not being spent. As I pointed out before, over 20 years, when you use a formula, there is a certain percentage of this money supposed to be used, by any means you want to arrive at, and it has not been done. Where is it?

Mr Turnbull: There is no doubt about it: Your situation is the kind of thing which is typically referred to as a flip. It is not technically, within the real estate business, what they call a flip. With a flip you sell the offer document before it is ever closed. Nevertheless, let's for the moment talk about the flip.

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You have had multiple sales. It seems to me that the principal problem with the existing legislation, which is Bill 51, is that it allowed as many sales as anybody wanted to contemplate to go through and ask for financial hardship relief. When the Cadillac Fairview sale was made many years ago, the Conservative government at the time very quickly brought in legislation to disallow multiple sales, so you could only get the financial relief in the initial sale. I suggest to you that perhaps one sale per four or five years might be a reasonable amount. Would you agree with that?

Mr Fraysure: I would agree with that, because I think you should be able on any investment—I know on what little bit of investment I have, I expect a reasonable return, but this is not reasonable.

Mr Turnbull: So you would not disagree with the idea of flowing through the added financing, but only once per four or five years?

Mr Fraysure: As the yearly breakdown that I have here someplace shows, naturally after a building gets so old it is going to need repairs.

Mr Turnbull: I want to come to the repairs, but I am talking about the sale at the moment. Once every four or five years would be reasonable and it would be reasonable to pass through the financing costs, in your estimation?

Mr Fraysure: I will not go along with that.

Mr Turnbull: You see, when a landlord invests in something, he wants to get a return on his investment. We have heard it many times referred to by the NDP and by witnesses that they believe that the offset for poor, actual cash flows in apartment buildings is capital appreciation, but unless you have the ability to flow through the cost of refinancing at a higher level it is not possible to get a capital appreciation.

I would suggest to you that the flaw in the present legislation is that it allows 85% of the purchase price to be financing, which violates all of the natural norms of real estate. Normally, 75% is considered a good, reasonably

high leveraging on a commercial property. So if you were to allow to finance 75% instead of the present 85%, and you would allow one sale per four or five years and, in acknowledgement of the fact that you agree that there should be a return to the investor, would it be reasonable to flow through those costs?

Mr Fraysure: You are using the figures of 85% and 75%. My understanding was that the previous minister did bring through the 75% figure.

Mr Turnbull: No, Bill 51 is actually 85%.

The Chair: Thank you for your presentation.

FORREST ESTATES HOME SALES INC

The Chair: Forrest Estates Home Sales Inc, Ken Hughes and Marie Hughes. If you could just identify yourselves for the record. You have been allotted 20 minutes, like other witnesses. You have 10 minutes for your presentation followed by 10 minutes of questions.

Mr K. Hughes: Good afternoon. Thank you for allowing us to speak. After working late last night in our community and rushing down here, we were not able to attend a meeting close to our community. We had heavy snow this morning and we are lucky to be here, but please put up with our tiredness.

I will try and read this guide I have here, and I will try to bring it up quickly. I am shocked by the total disregard that is being displayed toward free enterprise and those who are participating and trying to run business honestly and believe in the legal system of Canada.

Because we are a land lease community, which has as its objective the amelioration of its tenants, we are not allowed equal benefit or protection of the law under which the high court of appeal ruled we are not under any rent control. In your insolence, you subject us to the cruel and unusual punishment of complete disregard of this law of the province of Ontario today. Could this be discrimination because there are only 300 to 400 of our type of business?

Our right to gain a livelihood in the province of Ontario, federation of Canada, is also being manipulated so that we, among many, are being forced into bankruptcy by a negative NDP government legislation, Bill 4, which is now trying to give us loans which have to be borne by the taxpayers of Ontario instead of backing rights and freedoms as may be demonstrated in a free and democratic society, which is my endeavour and may be our only recourse, that of enforcement in a federal court or, the quicker, ceasing to supply much-needed housing.

A land lease community such as ours has 120 acres. We have a river, a trout stream and it is, in short, a town. Others similar to ours are being placed on certain provincial maps. Our community, when completed, will have four miles of roads, six drains, each a half-mile in length, possibly 300 sewer systems, three to four miles of primary hydro, six to eight miles of secondary hydro, and similar with the water mains and manhole valves. As far as equipment, we have three tractors, one snowblower, a road grader, a dump truck, two hoes, a cement plant, two bulldozers and various related tools. Our combined salary per annum is approximately \$13,000.

Please explain how we built the first phase of a recreation centre upon completion worth \$300,000 to \$500,000 and have been allowed approximately \$3,000 to date from a September 1987 rent review application which considered 1985-86 submissions. We had to wait until 15 November 1990 to receive this decision. This time period is appalling.

Now the NDP government is justifying a two-year rental freeze of 5% with no capital expenditure allowances. Five per cent of our average rent of \$154 amounts to \$8, and we consist of 60 or 61 leases. Further, rent review stated that we cannot charge a usage fee to even recoup operating expenses such as heat, hydro, insurance or municipal taxes for our recreation hall, for one thing.

Out of frustration, our best bet would be to simply close it down, as suggested by rent review, or to use a donation box. I am not aware of any viable business that can incur such expenses and not be able to pass them on to the consumer of his business in some way. The users understand the expense and are willing to pay an amount to use the building.

We, as well as a great majority of our resident home owners, take great care and pride in the condition of our homes etc. However, I would like to address a great concern that we have faced in the past and will undoubtedly face in the future. Any home, anywhere, if not properly maintained, will come to the end of its life expectancy. We have a minority of tenants who have dilapidated chattels that depreciate not only the neighbourhood homes but the community as a whole. These homes, sold out of the park, would realize a sale price of around \$3,000, but their value within our community could succeed in obtaining approximately \$25,000 or higher. At what point in time is a landlord able to remove these eyesores, and at whose expense? I am sure this is a concern faced by other land lease communities. This is much different from apartment buildings that are owned by the landlord and can be renovated at the time the tenant moves. In our case, the tenant moves, leaving the problem behind. It continues to depreciate, and there is always someone looking for something cheap.

In regard to GST, we again find ourselves in a negative business situation. As a landlord we must pay GST without any recourse, either by passing it on to the consumer or by way of a rebate. How can a business absorb this expense year after year and not be forced into financial ruin? Our GST expense this year could amount to around \$16,000. A solution to this would be greatly appreciated. By the way, this is also not allowed under our rent control system, due to the NDP policy.

Since 1971, when we started our land lease and construction company, we have humbly existed, even selling one land lease company to those tenants voluntarily. All the while the involved governments infringed on our rights but continued to collect large amounts of hard-earned income.

We have worked the last six years, frequently seven days a week, to make a beautiful community for our tenants to live in. Absolutely no grants or financial assistance has ever been received and we have subsidized the business with our funds. Comparably, a town or a township, if

it needs more funds to avoid running a deficit, merely increases PUC rates, taxes, etc. on to the consumer. We do not have this availability.

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Many of our present and future tenants who understand our situation and increased costs are concerned what will happen to them and their homes if we should be forced into bankruptcy if we cannot recoup our expenditures. Please remember, we are a land lease business, not a government subsidized housing development.

We have contractors on the verge of bankruptcy and our housing manufacturer has already gone into receivership, actually bankruptcy, throwing 200 employees out of work. All our suppliers, workers, some of whom are tenants, and all other recipients of revenue, including Ontario Hydro and the municipal taxes, will also suffer. We believe it is not justifiable to place land lease companies in the same basket with apartment buildings, where the rent could range anywhere from \$500 to \$1000 monthly. There is no incentive to work so hard without a fair return on your business investment. Land lease companies, to my knowledge, do not have a history of flipping and jacking the rents up. I so often hear these terms used by politicians when they are referring to rental accommodations. If we were ever forced, for some unforeseen reason, to sell our land lease business, I feel such strict restrictions have truly depreciated the value and saleability of our business. Where could I even find a purchaser who would be willing to invest so much time, hard work and indebtedness for so little, if nothing, to gain? The potential purchaser could gain more by depositing his funds and collecting interest while he relaxes in an easy chair with a beer.

I have a couple of other things that I wrote quickly. I lost my first housing customer last week, a Cornelius Dolinsek from Glasgow Street in Kitchener. I lost him purely on the fact that he believed the government, Bill 4 and rent control will interfere with our lease between our company and himself, and he is willing to stand up and state that fact.

Meet my wife, Marie, who is the free tax collector, also the person who has to stand responsible for the people if they do not pay their hydro bills.

Rent review questions? How about a local rent review in our municipality that understands our problems? Our problems are not the same as this community here. We are up in the Goderich area. Ask about supplying reasonable housing. I attended a meeting with Canada Mortgage and Housing Corp, a gentleman from the federal government who ended up affirming and giving us a written statement that he would back us with full mortgaging on our factory-built housing. I approached Chaviva Hosek. Her term was short-lived, unfortunately. We could have supplied housing, seven a day, and we could bring the square foot of that housing to what I have been told, between \$32 and \$48 a square foot on a two-by-six, heavy drywall house.

Right now I am negotiating with a Pennsylvania company that is thinking of taking over the bankrupt General Housing Co. I hope they do.

I have one other question. In the Cartwright's Point decision, it was ascertained today that land lease compa-

nies are not under rental control. If that is the case, why, when I held the case in my hand, did the two rent review officers say they had been instructed to disregard the law three days after it had been won in the Court of Appeal and we have been put under rent review to this date, which has made our tenants quite unhappy and our situation too? In fact, the rent review is completely incredible, unaccountable, unbelievable and ingenuous or stupid. Thank you very much, ladies and gentlemen.

The Chair: On that note, Mr Hughes, we will have questions.

Ms Poole: Thank you for coming to present your case to us today. We have actually had a number of presentations today and, I understand, yesterday as well on the mobile home issue. I understand that your situation is somewhat different. You are a land lease community. You actually build the homes, is that correct?

Mr K. Hughes: We work with the company that builds the homes. We are the developers who build the development and maintain the development.

Ms Poole: Do you actually own the land?

Mr K. Hughes: Yes, our company does.

Ms Poole: So your company owns the land and you help develop the land.

Mr K. Hughes: We develop 100%.

Ms Poole: Are the homes that are put on all permanent or are they more of a temporary nature or a movable nature?

Mr K. Hughes: We put them all permanent onsite. With regard to the units that are depreciating, when this property was bought from these residents originally, there were a few older mobile type of homes that have depreciated. The other residents hate to see their investment go downhill, similar to ourselves.

Ms Poole: You have mentioned that, I believe, the rental fee per month is \$154.

Mrs M. Hughes: Yes, that is correct.

Ms Poole: Does that cover your expenses? You mentioned the figure \$13,000 that I believe you said was your combined salary. Are you saying that is basically the only profit per year the two of you would get out of this?

Mrs M. Hughes: That is what, tentatively speaking, we are allowed on paper by our accountant. We take very, very little from the business. We have subsidized the park with our own funds and by selling mobile homes as well in there. We are only 60 sites and it just does not cover the capital expenditures and improvements that we are facing.

I kind of sympathize with the lady who lives in a park outside this area. We have a very lovely park. We are very proud of it. The tenants are very proud of it. I do not want our park to end up looking like theirs and having that kind of situation where people become unhappy, but if we are faced with such restrictions, we are going to end up in the same situation. We just want a fair return from our value and hopefully to be able to recoup our capital expenditures, continue to run a nice living community, and it

would be nice to make some profit. I have three kids I would like to put through school at some point in time.

Ms Poole: You look like you are dying to say something there.

Mr K. Hughes: Yes, I would like \$15 an hour for some machinery to sand my road. The rent review would not even grant me that.

Ms Poole: A couple of the statements that you reported to us were made by rent review quite frankly shocked me, the first that rent review implied that if this was going to be that devastating to your business, then you could just close it down. Am I interpreting your comments correctly that this is what rent review said to you?

Mrs M. Hughes: This was with regard to a community centre in the park. We made application to rent review in September 1987 for an effective increase for October 1988. We had 20-year leases which were geared to 6%. The minimum at that time, or the allowable rate, was 4.2% or whatever, and we wanted a ruling on the validity of our leases. In order to do that we had to apply to rent review, whole-building review. At that time, we were 36 residents and the difference was \$2 a month. It took us from September 1987 to December 1990 to have them say yes, we could have \$2 a month for one year for 36 homes. We were in the process of many capital expenditures. We had to replace the hydro. We went underground instead of overhead. We were in the process of building a recreation centre, drains, watermains, to name a few. They allowed us \$1,800 for this building, in which we have now got about \$200,000 to \$300,000, and now we cannot recoup our costs.

Mr Tilson: Originally, because of time I was not going to ask any questions, because my concerns have been answered by previous applicants, but you did make a statement that troubles me. Do I understand from what you said that you made an application after the Cartwright decision and the rent review people told you that because of Bill 4 you were under rent control? Is that what they told you?

Mrs M. Hughes: That is correct. We were made mandatory. We had to go through the rent review legislation even though we are advised that we were not covered under rent review. It has taken me four years and I am still under the understanding that we are not under rent review, but then we are still bound by rent review. Explain it to me. I am very naïve. I cannot understand this. I cannot afford to go to a lawyer to find out a reason.

Mr Tilson: Mr Chair, Mrs O'Neill had to leave, unfortunately, for another engagement, but if she were here she would be very upset, because this gets into the whole area that she was raising, that statements are being made by government officials and Bill 4 has not even been passed. It may not be passed and I do not know whom I am going to express my concern to, other than to the government members, but I find it a terrible thing.

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Mrs M. Hughes: Rent review said to me: "It is, yes, Mrs Hughes, a grey area. You can seek legal counsel on

this." I cannot afford to seek legal counsel and wait how many years. It is just frustrating.

Mr Tilson: Mrs O'Neill and I will have further comments to make at a later time on this.

The Chair: The Chair takes note of that.

Ms Poole: Mr Chairman, on a point of information: Could they just tell us which rent review office it was?

Mrs M. Hughes: London.

Mr K. Hughes: I had Robert Doumani's book, \$200-worth of book, with the court case, and they said they were instructed to disregard it completely three days after.

Mr Mammoliti: On a point of information, Mr Chairman: Do you have a name from the ministry?

Mrs M. Hughes: From rent review?

Mr Mammoliti: Who were you talking to?

Mrs M. Hughes: Would you like her name? Paula Tilford.

Mr Mammoliti: If we are bringing this up as an issue, then I think that would be important.

Mr Tilson: Paula Tilford may have to come to this committee and explain herself.

Ms Harrington: I want to thank you very much for coming through the snowstorm here, and I want to also assure you that our attitude is not one of insolence. Our attitude, as a new government, is to try to first of all look at this terrible system that we have in place in Ontario and try to make it better, try to get all sides to work together. I do not know whether you believe me, but seriously, this government has been given a mandate and that is our duty, to look at the rent review system and say, "No, it is not working for people, it is being abused, and we have to get something that works better."

I will admit to you that the whole area of mobile home parks is something that has not had, as far as I know, a lot of study on and it is something that we are going to have to look at.

Mrs M. Hughes: Please treat us separately. There are mobile home parks and there are mobile home parks, and I suppose there are apartment buildings and there are apartment buildings. What I mean by that is, we are very proud of our park. We put a lot of money into it and we think it is very good quality. I would love for some people in the Legislature at some point in time to have a look at our park and not call it a trailer park where we are gypsies, in and out, and this type of thing. We are trying to strive to get away from that. We have a lovely group of residents living there and they are also proud of their homes.

They can understand that we are going to be facing a financial crisis. They are concerned. If we go bankrupt, that affects them as well, and they are quite knowledgeable on that fact.

Ms Harrington: Just from the pictures that you have passed around, it looks like a lovely place that—you did not explain—you are just developing.

Mrs M. Hughes: Yes.

Ms Harrington: It is just starting off, and this is where you have a lot of financial input, obviously the infrastructure, your sewers and everything.

Mrs M. Hughes: Exactly.

Ms Harrington: I understand that.

Mrs M. Hughes: Your initial investment is very high until you get your return.

Ms Harrington: Of course.

Mrs M. Hughes: We do not want to put a big burden on rentals either, but we think there should be fairness on both parts.

Ms Harrington: Right, and I would like to tell you, from the government's point of view, that you want good tenants in there.

Mr K. Hughes: Yes.

Ms Harrington: You want to take care of your property and get a good, fair profit out of it. We have no argument with that.

Mrs M. Hughes: They need the whole park value to be high as well if they want a return on the sale of their home. If the park goes downhill, then they lose when they resell their home as well.

Ms Harrington: Is there anyone else who wanted to speak?

Mr K. Hughes: I would like to say one thing really quickly. We live in Goderich township. We have a wonderful township to work with. We were in the Oxford area before—terrible government to work with. That was the difference in the government. This government here is sympathetic. This government can see what we are doing. We are willing to work. We do not want top dollar. We do not want to gouge. We want to build communities. We enjoy that.

If we bring in the expensive engineers to tell us how to do work that we have been doing for our lifetime, then we defeat the purpose because the money gets siphoned off in those avenues. We are there to put in lovely housing with proper services.

Ms Harrington: Are you saying the township is asking you to bring in engineers?

Mrs M. Hughes: No, no. We are just saying we do all the work ourselves to keep the cost down. Certainly we could be very naïve and hire all this work out, which puts the costs and capital expenditures up even more. We do it ourselves. We have some knowledge and we work hands on.

Ms Harrington: You are the kind of people we want in Ontario.

The Chair: I am sorry, our time is expired. Thank you very much for your presentation. Thank you for driving all the way from Goderich.

PARKWAY TENANTS ASSOCIATION

The Chair: Parkway Tenants Association, please make yourselves comfortable. I think you have been here for a while. You have seen the procedure. If you would

you just identify yourselves for the record, we can move right along.

Mr Hedrick: My name is Ken Hedrick and I am one of the co-presidents of the Parkway Tenants Association. With me today is Cathy Meyers, who is the treasurer of our group. At this time we would like to thank the committee for allowing us to appear before you today.

The Parkway Tenants Association represents 261 apartment units in 14 two- and three-floor walkup buildings on Windsor's east side. Our tenants come from all walks of life, but the vast majority are on fixed incomes, with a large concentration of retirees and single parents. These tenants live here because rent levels have been low to moderate and this is all that they can afford. Tenants do not move here for any special services or amenities. Rather, they sacrifice many basic essentials for moderate rents. Even so, many of our tenants spend far in excess of 40% of their gross incomes on rent.

Our group formed to battle a 1989 rent review application, a 1990 rent review order and many illegal rent situations. The particulars of our rent review perils will highlight some of the flaws in the system. Bill 4 will adequately address these flaws.

Our buildings were sold in June 1989 to a Toronto developer. The purchase price of \$7.06 million was inflated and did not represent the real market value, especially considering the deterioration of the buildings and the deplorable conditions that exist here.

In viewing the file correspondence and documents relating to the mortgage, a number of interesting things come to light. The real value of the acquisition, or the landlord's personal guarantees, appear to have had no relevance to the mortgage approval. No appraisal was required. The main requirement was a rent review application for at least a 10% increase. The purchasers were also advised that they could receive more once the application was successful.

To add insult to injury, over \$250,000 in commissions were paid back to the purchasers on closing. This again added to the non-real financing amount, as these moneys never really changed hands. There were three big winners in this situation. First, the new owners were able to acquire the property with a \$5,500 investment and receive \$257,000 pocket change as a signing bonus—not a bad day's work.

Another big winner was the vendor, who pocketed millions in the appreciation of his property value in addition to his previous annual return, which was above average due to the lack of maintenance and repairs.

Yet another big winner was the landlord's agent, who has pocketed thousands of dollars in fees for preparing and defending this particular application. This agent is one of a growing number of former rent review administrators who have used their inside knowledge of the loopholes to make themselves and the landlords rich. If not legally, there is certainly something morally unethical about a civil servant in a position of trust being able to personally profit from the knowledge gained while working for the government. There is an ex-administrator-landlord's agent appearing

before the committee today attempting to secure his personal financial future.

As we have presented, there were three big winners as a result of this transaction. Sadly, there were hundreds of losers, our tenants. The system has forced our tenants to provide the capital for all three of these windfalls and we will continue to pay for many years under the existing order. That is, of course, unless Bill 4 or our rent review appeal save us from financial devastation. There is an irony contained in the fact that we will not have an appeal decision until almost two years following the application. Lengthy delays, retroactivity and reality have deeply hurt our tenants. Some have moved. Many others are sacrificing daily essentials to keep a roof over their heads.

In this particular application, our landlord requested a 10% increase. Due to the inflated purchase price and very well padded operating costs, the administrator awarded 11.29%. If this is not bad enough, there is still a substantial loss existing on paper, and the order will provide 5% phase-ins for at least six or seven years until this phoney loss has been eliminated.

1630

Mrs Meyers: In 1985, our average rent was about \$250 per month. The average in 1990 is almost \$500. After five years of phase-ins, they will average about \$800. Should the landlord be able to stretch these phase-ins to 10 years, which is very possible, our average rent will have risen to \$1,300 per month. Courtesy of a system which is very flawed and biased, our landlord will have been able to increase his gross revenues, by 520% in a 15-year period, to \$4.1 million annually. Using a 4% inflation rate, his operating costs will rise to \$700,000 annually over the same time period. This will leave \$3.4 million to deal with financing costs, capital expenditures and his profitability. The latter will receive the lion's share.

In addition to these reported gross revenues, illegal rents generate tens of thousands of dollars' worth of annual unreported bonus revenues, only adding to his profitability. The existing system provides many guarantees to landlords. It guarantees their profitability, regardless of proper management or the reality of costs and values submitted. This guarantee is made at the direct, hurtful expense of tenants. The system also guarantees that a landlord is able to purchase a building at almost any price and have the rents raised to carry the mortgage. Once again the burden falls squarely on the tenants to subsidize the vendor's windfall without any regard to real property values or legitimacy of the transaction. Landlords are encouraged to establish new companies and sell the properties to themselves, realizing a huge profit and large increases in their gross revenues.

Yet another guarantee is that a landlord may gain additional increases to pay for virtually any capital expenditure, whether needed or wanted. Tenants are once again paying to increase the value of the landlord's investment. Unfortunately, the same tenants do not share in the landlord's windfall when the building is sold. Instead, they once again face rent increases to subsidize the new owner's investment.

Are these isolated situations which have faced our group? Absolutely not. Since our inception a year ago, we have heard from hundreds facing similar and worse examples of system abuse. This led us to co-ordinate a rent review protest rally in June. In excess of 600 area tenants joined us in protesting this very biased system. Considering our negligible budget and stiff competition, this was quite an accomplishment. We invited all three major political parties to provide a speaker and explain their party's point of view. The Liberals and New Democrats accepted and the Tories refused to attend. At this rally, a motion was unanimously carried to form an alliance of all area tenants and tenants' associations to lobby for changes to rent review and other problems facing tenants; hence the creation of the Federation of Windsor-Essex County Tenants Associations. We then co-ordinated a follow-up rent review protest rally in August. With about one week's lead time and a very small budget, we saw about 400 tenants join in protest. Once again, this was no small task.

Are we a bunch of radicals? Hardly. We are simply a group of tenants being forced into the streets due to the loopholes contained in rent review. Many thousands of tenants have been in our shoes. If you are a tenant, there is no escape from the Residential Rent Regulation Act. We have seen many cases where tenants have moved to escape the adverse effects of the rent review order, only to find that their new home is also facing the ill effects of rent review. We have learned the hard way that this is a problem that will not go away easily. As such, we will continue our lobby and protest efforts until there are satisfactory changes.

No one begrudges the landlords the right to make a reasonable return on their investments. However, the current system allows them many opportunities to do so in a manner that can only be described as underhanded. If landlord profitability is to be guaranteed, the level of accountability must also be dramatically increased. If tenants must bankroll a landlord's business, safeguards must be developed to eliminate the opportunity to get rich quick as a reward for mismanagement and speculative purchasing.

A landlord would then have to face the challenge that other business enterprises are up against: Cost-effectively manage your operation, provide the right balance of preventive maintenance and you will see a good return on your investment. At present, landlords have a legislated guarantee of profitability regardless of their ability or desire to run a tight ship. The capital to pay for this guarantee is forcibly extracted from the tenants, who in most cases have little or nothing to show for the increased expenditures. Ironically, as the level of services and facilities declines, many tenants have less to show for paying more.

Bill 4 will not correct all the deficiencies of the RRRA. The RRRA is irreparable. Bill 4 will be an effective remedy during a moratorium period while meaningful legislation can be drafted. Bill 4 will not legitimately disadvantage landlords. The ones who will be hurt are the same ones abusive of the system, trying to make their fortunes overnight. All speculative investments carry risks and it is hard to feel sorry for someone who has been caught in a pinch while trying to exploit a system.

I am a single mother of two who spends one third of my gross income on rent. Bill 4 will at least assure me and my family of a place to live, albeit barely within our means. I urge you to support Bill 4.

Mr Turnbull: First of all, I want to make reference to a few of the specific remarks you made in your presentation. You say no one begrudges a landlord the right to make a reasonable return on investment. Could you tell me what you consider, approximately, is a reasonable return on investment?

Mrs Meyers: Everybody wants to make money. What is a reasonable return on any investment?

Mr Turnbull: Something comparable with a bond rate or something like that? Just approximately.

Mr Krall: Can I jump in?

The Chair: Would you please identify yourself again for the record?

Mr Krall: I am Joe Krall.

Mr Turnbull: Very quickly, because I need quick answers to this.

Mr Krall: Yes. The opportunity to make much more if he cost-effectively runs his business operation.

Mr Turnbull: Okay, so essentially a bond rate is what you have in mind. You also said that he should cost-effectively manage his operation. You are saying tenants have little or nothing to show for their expenditure. It may seem unfortunate, but it is the nature of the fact that if you are a landlord, you are buying the property for profit and you have determined what you think in your own mind is a reasonable sort of measure of profit. But when I start thinking about cost-effectively managing the operation, I look at what the Ontario government is funding, by way of subsidies, often to the equivalent, in some cases, of \$150,000 per unit to build a co-op house, or in the case of one in Scarborough, \$245,000 per unit. I do not see that that is cost-effective, particularly when I do the calculation. You have told me this was an outrageously inflated price on this sale, but \$7 million divided by that number of apartments is \$26,819. It certainly does not sound like a lot of money for an apartment relative to what the government is paying and you are talking about being cost-effective. Can you respond to that? The lady, please.

Mrs Meyers: Not really.

Mr Turnbull: Do you see what I am saying?

Mrs Meyers: Kind of, yes.

Mr Turnbull: Where is the value for money? The Conservative Party is concerned that people are properly housed and that affordability is addressed, but I do not believe that Bill 4 addresses this question of affordability and more than that, when I look at the sale that you have mentioned, I do not find that an outrageous price, \$26,000 a suite, when the Ontario government is funding the equivalent of \$150,000 and in some cases over \$200,000 per unit. That is money that could be more effectively directed to making sure that the affordability question is more reasonably addressed towards single mothers and people who are struggling.

Mr Krall: I am going to jump in just for a second. The \$26,000 is deceptive. The buildings are deplorable. They are all jumbled into very close parcels of land. The only inherent—

Mr Turnbull: Excuse me, are you a specialist on real estate values?

Mr Krall: No, I am not, but I—

Mr Turnbull: Frankly, you told me the rents are \$500 per suite at the moment. The average for Windsor at the moment is \$598 for a vacant suite. Your building is below the average. That is all of the vacant suites. The average of all units in Windsor at the moment is \$510 for suites. I do not believe this is below market—

The Chair: Thank you, Mr Turnbull. I am sorry, we have to move along.

1640

Ms Harrington: Very quickly, I wanted to make a statement. I do not think anyone, no one, not even Mr Turnbull could defend a system that is plainly not working for people, for anybody. You have clearly shown that the people here in Windsor are being abused, that the system is being abused and that we need a new system, and that is what Bill 4 is to do, to stop things so we can make a system that will work. I believe Mr Lessard has a couple of remarks.

Mr Lessard: It appears clear that you have indicated an example of a situation where tenants can be taken advantage of by the existing system through the sale of a building. You have indicated some facts in here with respect to a commission that went back to the purchasers on closing, and you gave that example as a way in which the purchase price can be inflated. Where was it that this figure of \$.25 million came from? How did you find out about that?

Mrs Meyers: When we did our rent review application it was in there.

Mr Krall: It is right in the mortgage documents: five purchasers of the building; two of them were paid back a commission.

Mr Lessard: So that was clearly stated in the documents that they had?

Mr Krall: Not only stated. The rent review administrator clearly overlooked it. The point we have been trying to make when we talk even about accountability and cost-effectively running your business, there is almost a negligible level of accountability that landlords have to do right now. Administrators virtually accept anything that is thrown in front of them, improperly addressed, it does not matter, does not even state the address for that property.

Ms Poole: I like to have a fair and balanced position on matters, and Bill 51 was legislation which I had strong feelings about. I did not feel it was perfect legislation and there were things that I wanted to change about it, but I get very upset when I hear Ms Harrington and other members of the government party say that it was not working for anybody. It was working for many hundreds of thousands of tenants in this province. The average rent increase last year was 5.8%, which is around the point of inflation. So it

seems to me to indicate that for many tenants it was working.

I would not for a moment say that there are not tenants, and ones in your position, who had difficulties, and those difficulties should be rectified in any legislation that we are considering. But I would just like to say that I am really tired of having comments made holus-bolus, saying that this was a terrible system that did not work for anybody. The facts do not show that, and the facts also are showing clearly that there are things we have to do as legislators to protect tenants but also to be fair to the housing market in general.

Mr Krall: I just want to say that many things you said I would definitely agree with, but that does not minimize the impact on the tenants that are affected. It is devastating.

Ms Poole: That is right, and what I would like to see is legislative changes to make sure that those who are abusing the system or are taking excessive advantage of it are stopped from doing so. But I do not want to throw the baby out with the bath water either. I want to make sure that older buildings like yours get the day-to-day maintenance plus the major repairs they need. So I hope that when we come to the long-term legislation consultation, perhaps you could share some ideas with us about how you think it could work. That would be very helpful to us, particularly because of your own experiences and your expertise in the area. So, thank you for coming.

The Chair: Thank you. I want to thank the presenters for appearing today. We appreciated your comments.

TENANTS OF UNITY APARTMENTS

The Chair: Tenants of Unity Apartments are next on our agenda. You have 10 minutes for your presentation, followed by 10 minutes of questions. We turn the floor over to you.

Ms Wittke: My name is Lynda Wittke. I represent the tenants of 1191 Lillian. I would like to thank the committee for allowing me to appear today.

Our building is a three-floor walkup with a total of 26 units. This is my personal story, but reflects that of the other tenants in the building. I have lived in the building for seven years. On 1 October 1989, I received my regular notice of rent increase, effective 1 January 1990. This reflected a 4.7% increase. I then received a notice of increase for 9.62% from the office of G. Dewar Laing, who is the attorney for my landlord, D. Ciacelli. This was dated 9 November 1989, effective 1 March 1990.

I then received a notice from the Ministry of Housing, rent review services, dated 20 November 1989, informing me our building was under review. On 31 December 1989, the building was sold by D. Ciacelli to Walter Golac and Associates. Then I received a verbal notice of rent increase from the manager on 31 January 1990, effective 1 March 1990, reflecting a 12% increase.

Not knowing where I stood, I went to the rent review office on 2 February 1990. After they looked over all my increase notices, they informed me I was to pay the first increase, dated 1 October 1989, effective 1 January 1990.

While there, I looked over the file on our building. D. Ciacelli was asking for a 9.62% increase in rents. I noticed the form 4A was incorrect; it showed the wrong amount of rent I was currently paying for my unit. I asked for an extension of time to prove the form was incorrect and to talk to the other tenants.

On 4 February 1990, I went around to talk to the tenants about which increase we legally had to pay according to rent review. Let me say here we have several older people and many non-English-speaking tenants in our building. I had a concern for these people, as they might not understand what was happening with the rent increases.

I also would like to mention here that the rent increase notices from Mr Laing's office look very authentic. They read "Ministry of Housing of Ontario" on the top left-hand corner of each notice. This is very confusing and intimidating to most people, as it looks like the Ministry of Housing has actually sent it, causing some confusion.

While talking to one of the tenants, the manager, Mario Salinitri, saw me and asked what I was doing. I told him I was informing the tenants of which rent increase we legally were to pay. Mario said he was going to call the owner and have him talk to me. The owner, Walter Golac, called on 4 February 1990 at 10:30 pm. He accused me of going door to door stirring up trouble. Twice during our conversation Mr Golac stated, "We have ways of making you pay." I told Mr Golac verbal increases are not legal, and he agreed. Mr Golac kept telling me the former owner of the building, D. Ciacelli, had guaranteed that the rent increase would be approved by rent review, and that is why they bought the building. He told me he was allowed to make his profit. I informed him that the rent review increase had not yet been approved.

On Monday 5 February 1990, Mr Golac came to the building in person to see me. I went down to the main entrance to meet him, as I did not want to be alone in my apartment with someone who had said, "We have ways of making you pay." Again Mr Golac told me he could raise the rents this amount because he was guaranteed them. Mr Golac then wanted to see my copy of my original rent increase form. I felt if I let him have it, he might not return it, this being the proof I had of receiving a rent increase already. I explained there was a copy on file at the rent review office. I also explained he could not raise the rents more than once in a 12-month period. He was rather insistent that he could.

Then on 9 February 1990, I received my fourth notice of increase from D. Laing's office, dated 7 February 1990, effective 10 January 1990, reflecting another 9.8% increase. On receiving this notice I felt I was being harassed and punished for standing up for what is legally right. I do believe he hoped I might give up and move. I just kept paying the required amount of rent.

I received an order from the Ministry of Housing, dated 21 June 1990. The landlord's, D. Ciacelli's, increase was unjustified. I would like to quote from the order under summary of reasons, schedule B6. The landlord's application claimed financial loss and economic loss. In order to make a determination for financial loss and economic loss,

the financial position of the residential complex for the base year must be determined. However, pursuant to O. Reg. 440/87, ss. 37(3), financial position can only be determined where the landlord has submitted at least nine months of operating costs for the base year. The subsection states as follows:

"The minister shall not make the determination under section 36 (of financial position) unless the landlord provides proof of the actual operating costs for at least nine months of the base year period and findings shall be made for operating costs throughout the base year period."

1650

On 5 June 1990, the landlord's agent, Mr Laing, came into the office and the concerns about the lack of nine months of operating costs was made known to him. At that time, Mr Laing was informed of the importance of providing proof of operating costs in accordance with the act. He said he understood and would get back to us within the next couple of days. Mr Laing did not contact Windsor Rent Review Services for more than two weeks concerning this application.

On 15 June 1990, Mr Laing telephoned the office and explained to me he still did not have the required information. I told him we had completed our review of the application and that any additional information he had would have to be forthcoming in the very near future, if not immediately. Nevertheless, I stated the manager would be made aware of the situation the next business day, Monday.

On 18, 19, 20 and 21 June 1990, attempts were made to contact Mr Laing to determine what action he intended to take. No verbal or written request for an extension of time had been received from the agent or landlord for the purposes of providing nine months of operating costs. Since the landlord has not provided nine months of operating costs, no determination or allowance has been made for financial loss and economic loss in this application.

It would be nice if it all stopped here, but this is not where it ended. I then received a notice of appeal, dated 27 June 1990. In the reasons for appeal, schedule A7, at no time did the rent review administrator direct that the information be filed. During the last conversation with the landlord's agent, the rent review administrator indicated that he would speak to his local office manager to determine whether or not the seven months' worth of information provided would be credited pro rata as the only information available to the landlord or whether the additional documentation would have to be directed.

The landlord's agent received messages that the rent review administrator had called on 20 June 1990 at 9:20 am and on 21 June 1990 at 11:05 am. The landlord's agent attempted to respond to the rent review administrator later in the afternoon on 21 June 1990, but the lines into the rent review services office were busy. The landlord's agent had previously advised the rent review administrator that his property had been sold since the application was filed and that the landlord-applicant no longer resides in Canada. The landlord's agent was awaiting a response from the rent review administrator as to whether he would be able to proceed with the application with the information as pro-

vided or whether it would be necessary to obtain the information from the owners who insured the building three transactions previously, when the order herein was issued.

I find it hard to believe that the landlord's agent did not know he had to file all the proper documents, as the agent does run a rent review consultancy service. Also, this agent was previously employed by the Windsor rent review office. And busy phone lines?

Next, I received a notice of hearing, dated 9 November 1990. Our hearing was held on 17 December 1990. During our hearing, when going over the submitted documents, it was apparent that again all the base period documents were not here. Mr Laing was given more time to acquire this information. He had six more months to get this information together.

Also revealed at the hearing was the inflated value of the building. In the base year the building was sold four times: from Windsor EEG Labs, to 1191 Lillian Inc, to Domenic Ciacelli, to Walter Golac and Associates. In the selling from 1191 Lillian to Domenic Ciacelli, the building value increased by \$300,000. Yes, \$300,000. The exact value of the building at each sale is not available to me by present, as Mr Laing was to have this information to me by 18 January 1991 at the request of the rent review hearing board, but has failed to do so.

I have at present contacted the rent review hearing board about not having received the documents. They told me to contact Mr Laing's office, which I have, and they will send them out. This is where we the tenants of 1191 Lillian stand at present.

Bill 4 and us: As I stated above, the building value went up \$300,000 in a one-month period. That is outrageous. I believe this to be a very inflated value price. When you have inflated value, you then get inflated costs, and it is with high rents the tenants pay.

The rent review hearing board did ask Mr Laing to have Mr Golac have the building appraised. Having not received the documentation, I do not know if this was done. I believe Bill 4 would put a stop to the flip-flopping and inflated-value prices for financial gain. Also, I ask, how did we as tenants get involved in a guarantee between the previous and present owners? We, the tenants of 1191 Lillian, are truly pawns of financial manipulators, which Bill 4 would put a stop to. We believe Bill 4 is a great place to start getting rents in order. It is really about time the tenants had their say.

As far as Bill 4 goes, I have a hard time believing the landlords when they say maintenance will suffer. This problem is not a new one. In our building repairs have been let go for years. The parking area is full of big potholes, units are unpainted, some as long ago as 1977, old carpets, support beams showing through on the balconies, and the list goes on. If you do need something done, some tenants have waited as long as eight months before it is fixed.

Therefore, in light of what you are hearing from us today and the other tenants across Ontario, I urge you to pass Bill 4. Take a look, maybe make future changes. But for now, this landlords' field day must be stopped.

Mr Lessard: I just want to put your mind at ease and indicate that tenants really are not bound at all by guarantees between previous owners and present owners, as far as rental increases are concerned. However, I am concerned about the increased value of this unit, going up \$300,000, you said, in one month. At the present time, the way it stands, is this application still before the rent review board?

Ms Wittke: Yes.

Mr Lessard: How long has it been since the initial notice was given to you?

Ms Wittke: We were first given notice that the building was under rent review on 20 November 1989.

Mr Lessard: So since 1989 you really have not got any idea what your rent is supposed to have been. I would assume that that has probably caused you a great deal of anxiety when you have been living there. I suppose that you would be agreeable to paying a reasonable increase, but you would like to know at some point what that increase might be?

Ms Wittke: Yes. I ended up paying the guideline last year, the 4.6% I believe it was, and I know that 5.4% is out there now. I see nothing wrong with having to pay that, but it is the excess that we are having pay.

Mr Lessard: Yes, and you would just like some certainty, I suppose, so you could govern your financial affairs accordingly.

Ms Wittke: Yes, and as I stated, there are some older people who are on fixed incomes and not really sure. We have got people saying, "Should I move?" and older people do not like to be moved around a lot.

Mr Mammoliti: My emotions have flip-flopped incredibly in the past few weeks, listening to landlords and how they are losing money. You feel sorry for the ones who are losing money, no question. But for the most part, when I hear of a landlord who is making \$300,000 in one month—perhaps you can help me. I do not know how to feel personally. The flip-flopping has got to stop.

Ms Wittke: I agree.

Mr Mammoliti: This seems to be one of the biggest problems. Are you happy with Bill 4?

Ms Wittke: Yes.

Mr Mammoliti: Do you trust the government?

Ms Wittke: Yes.

Mr Mammoliti: Thank you.

Ms Poole: I am glad Mr Mammoliti did not ask me that question.

Thank you for your presentation today. I think your tenants' association is very fortunate to have you as its president. You are obviously very knowledgeable about rent review and what legal protections tenants have.

I just wanted to mention to you that some of the concerns you have raised about the process were also raised by a tenants' group in Toronto, where they were complaining how the landlord was able to use stall tactics to keep delaying the hearing because they did not have proper documentation. When they did come before rent review, they

still never showed up with it and orders were made really without proper invoices being submitted.

This tenants' association has made a number of very excellent, very specific amendments that they feel would remedy this problem. So, at least from that aspect of your presentation, if the committee were to follow that route and accept those amendments, I think it would help alleviate some of that frustration you have felt with dealing with a landlord who is constantly stalling you.

About the other matter, which is the financial loss, that is something we as a committee will have to look at. I guess the battle rages as to whether it should be eliminated altogether or whether there should be a cap on the type of thing where the building flips time and time again and each time the landlord passes this on to the tenants, whether there should be a cap to stop that kind of thing, so that there could be a financial loss, but only once over a certain set period of time.

If you have any specific suggestions, either with the short-term legislation or the long-term legislation, we would be most delighted to hear them, because I think you do have an expertise in this area.

1700

Mr Tilson: After what you have gone through, you are obviously an expert. It is terrible that you had to go through it and are still going through it.

I have a feeling from the way you describe this landlord that he would probably break any law. He would find a way of breaking any law, and you certainly have to be admired in following it through and standing up for your rights, which you have to do sometimes. It is too bad that you have had to go through that. But I have a feeling that no matter what law any government will pass, he will ignore it, just go on his merry way, and it takes people like you to stand up to some of these individuals.

The word is flip, George, it is not flip-flop, but I will say that is a concern and there have been examples of flips, although this committee is waiting for a specific definition as to what a flip is. Probably the way you have described it, that is a flip, and I think it is.

My reaction to that is, if we are zeroing in on that specific area, perhaps a more appropriate way would be to pass legislation to prevent flips as opposed to turning the whole system upside down, which is what I think the government is doing.

My fear is, and I would like to hear your comments on it, that the whole issue of private enterprise is being challenged and that landlords may be simply forced to get out of the business of apartments because they will be discouraged. Rents could get to such a degree, and hopefully you will agree that landlords are entitled to a fair rent, but rents will get so low that the landlords will not be able to do any maintenance.

Do you have any thoughts on that?

Ms Wittke: It is just like in the presentation. I do believe the ministry or the government sets guidelines as to how much it goes up and, let's face it, everybody—I mean if you live in a house, your water costs go up and everything goes up, so I believe there is a fair amount, but

what we would like stopped is where the building is tossed around, that kind of thing.

Mr Tilson: I understand that and thank you for your comments.

The Chair: Thank you for your presentation. The committee has to move along as members have a flight to catch. I am told Air Canada will not wait.

DEWAR LAING

The Chair: Our last presenter for the day is Dewar Laing. We will finish up at approximately 5:35. There is consensus in the committee to go to that time. You have about 15 minutes for your presentation to the committee and about 15 minutes of questions and answers to share.

Mr Laing: The reason you have a covering letter accompanying my submission requesting the additional period of time is because I am speaking on behalf of probably 270 landlords in the Windsor area.

There have been two seminars that I organized and conducted in the recent weeks since the proposed Bill 4 was announced. Much of the submission that I have drafted and have given to you reflects the concerns and conclusions that were reached as a result of those seminars. I am grateful for the additional time because I think it is important that I address some of the comments that have been made previously before I start on my submission.

First, I would like to advise the committee that I am a practising lawyer. I have been practising law in the city of Windsor for the last six years. During eight months of that time, I sat as a rent review administrator for the counties of Essex and Kent.

There have been a number of references made, I assume, to me, some direct references to me, particularly in the last presentation. I quite frankly resent the idea that my credibility has been affected by remarks that I consider unsubstantiated. I would like to point out to this committee that the proceedings that Ms Wittke referred to in the last presentation are in the carriage of the Rent Review Hearings Board.

As solicitor, I am unable to make remarks as far as what the outstanding process is. I can advise this board that Ms Wittke was grossly incorrect in much of the information she has provided this board. There was no flip for \$300,000. There was a transfer of this property that reflected a purchase price of less than \$35,000 per unit at a time when the going rate in Windsor was about \$50,000 per unit. There has not been any ill intention on the part of any of the owners of this property, particularly my current client. The comment was made that he would most likely abuse any law.

The people you were talking about are people who are involved in the rent review system. They have hired my professional services in order to be involved properly. There has been no misdoing and I strongly resent the fact that comments like this are being made to and from this committee.

In the submission I have given you there are a couple of pages that are a summary of Bill 4. Then there is a section that is called "Impact of the Proposed Amendments on the Residential Rent Regulation Act, 1986." Then you

will see that there is a section called "Case Scenarios." Because of the time limits we are dealing with, I would like to go to the case scenarios.

I am able to give this committee innumerable examples of problems with the current legislation, both for tenants and for landlords. I have chosen, because I am here speaking on behalf of my landlord clientele, to give you two scenarios that I think highlight issues that have not been brought out already.

The first scenario that I would like to draw the attention of the committee to is one in which I have a client who owns a fourplex. This client has gone to rent review. She has obtained an order allowing her an increase for capital expenditures and for financial loss. The order allowed her in 1989 to charge \$430 per month for one particular unit that I am making reference to. She gave the tenant notice for \$377 only. That is all the tenant was paying.

The landlord is not operating at a profit. Even if the landlord could get the \$430 per month she would not be operating at a profit. The phase-in allowance requires that there be a prolonged period of time before she actually recoups on the amount that she proved is her loss, and by my calculations she would not be in a profit position for three years.

This landlord is subsidizing the rent of the tenant who is in there. The landlord must continue to pay all of the operating expenses plus her financing costs, taxes, heat, hydro etc. The tenant is only contributing \$377 per month. The government, in a position of authority, has informed this landlord that she is not allowed to make a profit. Her ability to do so is being stymied by this legislation.

This landlord is in an even worse position now because the same authority that is restricting her profitability has snatched her tenant. If I can use more businesslike terms, this is a proprietor who has had a customer taken by the competition. This tenant who was paying her \$377 a month has moved into a public housing unit where the rent is \$671 a month. However, because of the subsidies, the tenant is paying less than the \$377 she was paying my client.

There is no one who is suggesting to this committee that it is unfair that the tenant moved. However, what is unfair is that the government has two sources of income. They have the tenants' rent, the portion that they pay, and they have a taxpayer base that makes up the difference, up to the \$671 that they deem to be the minimum they can operate that comparable unit for.

My client is not being given that second source of income. That is not fair. My client is left in a situation where she has been forced by the government to go into an involuntary partnership in providing subsidized housing. She is being forced to pay tax to help pay for the construction of that subsidized housing. She is operating the building at a loss. She has had to forgo any hope of profit for probably three years. She has been forced to recognize the inability she has to compete with the government.

She is going to have to continue to pay expenses despite the vacancies that are created by her tenant moving out of her privately owned units into public stock. Then she is going to have to pay taxes to help pay for the

subsidy that tenant enjoys when she goes into that unit that is worth \$671 per month.

As I have said in my submission, to add insult to injury this landlord is now being told that Bill 4 is going to be introduced, which will do two things. It will make it impossible for her to pay for any capital expenditures that are going to be required. If she needs a new roof next year, she is already operating at a loss. She has no reserve fund that is going to be available and she is being told that the tenants will not have to contribute in any way.

Second, the financial loss phase-in account that she got on the last order is going to be wiped out. It is to be annulled. So not only does she not have a hope of making a profit over the next three years; she is being told that she does not have a hope of making a profit ever. She will never be able to get her rents up to a rate that will compete with the government which is her prime competitor.

1710

The other scenario that I would like to bring to the committee's attention is one that does not involve a client of mine that is in such need; it involves a client of mine who owns a fiveplex that is substandard. It is what I would call a slum. The landlord has done nothing to maintain this building, has not been able to afford to do so, to come to his defence.

Basically this is a building in which five families are living in conditions that I would never expect anyone in Canada to be asked to live in. The building is subject to about \$60,000 worth of work orders from the city of Windsor building department and the landlord has been told by the city of Windsor that if he fails to do this work, his building is going to be shut down and he is not going to be allowed to operate.

As of 28 November, the landlord is faced with a situation with the proposal of Bill 4 where he has two choices that he has to weigh. Does he spend \$60,000 out of his own pocket without any hope of compensation to do the improvements to a building where he is already incurring the liability of having tenants there, of paying hydro, water, etc. and is making no money anyway, or does he allow the city of Windsor to come in and shut it down, vacate it, something he could never do himself, in which case he would only have to pay taxes and his insurance and he would save \$60,000?

It is very, very clear what this particular landlord would want to do and the people who suffer are the five families that are living there now. They are going to find themselves on the street because the landlord is unable to use any sort of vehicle that will help pay for the cost of bringing that property up to minimum standards.

The interesting corollary that I have made reference to here and that I think is of great importance in the long term is that when this landlord went to the city of Windsor and said: "Okay, you guys can come in. You can shut it down. You've got my permission. That is what I have decided to do," immediately the minimum standards decreased. He was no longer subject to closure. The minimum that they required of him had become less. I think that is what you will find as time goes on and people do not maintain. They will not be subject to closure. They will not be subject to

strict remedies on the part of the government or the tenants because the alternative is to put people on the street where there is not yet an adequate supply of public housing to house them.

The conclusions that came from the seminars I conducted are listed on the following page. They basically are:

1. The proposed amendments are retroactive indefinitely. They are not simply retroactive to 1 October 1990. That I think is patently unfair, and it is ridiculous to suggest to people that the effect of this bill is only going to go back to the point the NDP became the majority government. In order to get a rent increase effective 1 October, you must have given notice in June. In order to bring an application before rent review services, you must have applied in June.

As I indicated in that first case scenario, you have people who received orders years ago who are still waiting for the benefit of that order to be flowed through to them. They are having their orders annulled. There is no possible way it can be assumed that this legislation, if it goes through, is only going to affect people from 1 October onward.

2. The proposed amendments deny increases previously ordered which were lawful at the time that they were ordered. Not only that, it denies people the right to rely upon the current state of the law when they make decisions as far as acquisitions and capital expenditures are concerned, and tenants—do they rent? Can they afford future rent increases?

3. The proposed amendments do not take into account that many rents are already below fair market value and the effect is to prevent landlords from ever correcting the situation. This is what I am saying about the woman who is denied her phase-in. There is no way, if there is not a vehicle allowed such as a financial loss allowance, that you are ever going to change the status quo. Everything will continue to go up, but in the same relation to each other. Unfair rents will continue to be unfair.

There is no possible way that it can be argued that the rental scenario in Toronto is the same as the rental scenario here in Windsor. There are many communities in this province that were bouncing back from the 1981 recession and their rents had not yet caught up to fair market. There is no question that without any curb on fair market value for property, rents which are controlled do not keep up with the value of property which is not controlled.

4. The proposed amendments penalize the landlords who have worked the longest and the hardest with the lowest rents. There are many people who, I am sure, have come before the committee and have told you that they bought a building years ago. They have no financing on it. They have continued to improve it. They have good tenants. They do not want to alienate their tenants. They have not raised their rents for years. Some of them did not raise it for years before 1985, some before 1976. They are locked into lower rent scales.

It puts them in a situation where they may have been taking a minimum rent, because all they want to do is cover their costs, knowing that eventually they are going to recoup when their nest egg hatches. This is their retirement

fund. They are some day going to sell this building. Now if you cannot allow a purchaser a financial loss allowance for buying at fair market value, he will not pay fair market value because the rents will not increase to catch up to what a fair purchase price is. No one will buy that man's building for a fair price. His nest egg just broke.

5. The proposed amendments will result in hardship for the tenants, especially those living in substandard accommodations. That is my second case scenario.

6. The proposed amendments will—sorry, that is item 6.

7. The proposed amendments are discriminatory against landlords. Landlords are an identifiable group, recognized by their livelihood and are having their livelihoods restricted based upon the nature of that livelihood. I would like to go back and make reference—I think it should be clarified.

There have been a number of remarks by people making presentations today as to the comments by the Minister of Housing last Saturday. That was at a seminar that I organized. Mr Cooke very kindly accepted our invitation to attend as guest speaker and it was a very informative meeting.

However, in the course of this meeting what happened was that one landlord got up and asked the minister: "What portion of the population is being benefited here by Bill 4? Who is it that is being protected?" Mr Cooke embarked on a lengthy answer, but in the course of this answer he stopped and said, "If what you are asking me is do I represent the people in this room, the answer is I do not."

Everyone in that room took that to be a statement that he is not interested in representing landlords or contractors; there were quite a number of contractors there at the time. That added to the very clear direction of Bill 4 as being stated to be to limit the ability of the landlord to take increases from tenants. It very clearly says to landlords that this is discriminatory. They are being told that because they are landlords they conduct a business that is deemed reprehensible by the government and so it is going to be restricted, and if possible, shut down.

8. The proposed amendments force the landlord to carry the cost of GST-related increases for at least one year without hope of an increase. I do not want to get into this. It is too involved. The fiscal periods have been changed. You cannot bring an application for one of the two grounds that have been stated as still being available until 1992.

I am being signalled that I have only one more minute here and I do not want to waste time going through our conclusions. What I would like to do is make my recommendations.

Ms Poole: We can offer our question time for the presenter to finish his conclusions.

The Chair: Five minutes extra.

Mr Laing: Okay.

9. The proposed amendments fail to allow a landlord to recover the cost of financing losses that will result from these changes. The second grounds of increase that are still available under Bill 4 relate to increases in financing costs.

What has failed to be conveyed by the media, I think, is that those changes in financing costs relate only to the financing that resulted from acquisition. It does not allow the landlord to go get an increase because he has to refinance based on the fact that he is losing money now.

10. The proposed amendments do not allow a landlord to improve the building and seriously jeopardize his financial ability to structurally maintain the building. This has been gone into at length by many other people who have made presentations and I do not want to waste time going through it.

11. The proposed amendments do not allow a landlord to provide additional services to the tenants such as the assumption of hydro costs on a meter conversion. Under the current legislation it is possible if a landlord picks up the tab for services previously not included in the rent and becomes included in the rent, such as when a 12-unit building that used to have 12 meters gets converted to a one meter building. It used to be that he could have the average cost of the hydro added on to the rent so that he is not put out of pocket. That is no longer the case. That vehicle has also been eradicated by Bill 4.

12. The proposed amendments restrict the landlord's ability to recover rent money that is due from tenants. The landlord must pay any money due immediately or the tenant can subtract it from the rent. Bill 4 allows tenants 12 months.

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13. The proposed amendments will destabilize the value of land since a building's value will henceforth be determined by the level of the rents, not the quality of the real estate. I could get into economic philosophy for a long time on this; however, what I am basically saying to you is that if you allow rents to dictate the value of the building rather than the quality of the building to dictate the value of rents, you have got the tail wagging the dog and no one will know what their property is worth in relation to each other.

14. The proposed amendments will disproportionately penalize long-term landlords who have owned their properties for many years and who have not charged rents at a maximum. This I have already gone over. This is a repeat.

15. The proposed amendments fail to recognize the simple truth that their effect is to force unprofitable landlords into an involuntary partnership with the government in the business of providing subsidized housing, and as a result fail to provide the landlords with any compensation for the real value of this service that they are providing.

16. Bill 4 appears to be premised upon certain assumptions that are simply not true:

- (1) All landlords are currently profitable.
- (2) Rents in the province are currently fair.
- (3) Comparable buildings charge comparable rents.
- (4) The entire province suffers the same housing problems experienced in Metropolitan Toronto.
- (5) All landlords, if given the opportunity, will take advantage of tenants and abuse the system.
- (6) All tenants in the province of Ontario are just simply too simple-minded to be able to figure out for

themselves if a unit is worth what they are asked and if they can afford it.

None of those assumptions, I think, are true and they seem to form the basis of this legislation.

17. Ultimately the price for Bill 4 will be borne by tenants and taxpayers.

As I said, what I would like to get into specifically is the recommendations that I would like to present to this committee.

First, recognize the partnership that has developed between unprofitable landlords and the government.

Mr Tilson: Mr Chair, if I have five minutes, he can have four and a half of those, because I would like to hear these.

The Chair: Okay, that is fine.

Mr Tilson: I would like to make one brief statement. You are quite right. I think it is most improper for members of this committee to make comments on something that is currently under review. I made comments and I apologize. I do not know who your client is, but I apologize to your client for that. Having said that, you can have the rest of my time.

The Chair: Do the NDP want to keep time for questions?

Ms Harrington: I think he might want some response from us.

The Chair: Okay, that is fine. You have until 5:30, sir.

Mr Laing: The first recommendation that I have for the committee is that you recognize the partnership that unprofitable landlords have been forced into in providing subsidized housing for the citizens of the province of Ontario. It is a valuable service. No one is suggesting that there should not be subsidized housing. No one should have to pay more than 25% of his income to rent.

However, there are minimum costs to providing that service. The government gets them. The government receives \$671 per month for that public housing unit that I made reference to before. The tenant is paying only a portion of that. The same cost applies to the private stockholder. The landlord who lost that tenant would gladly have provided additional services if that landlord could have got the same \$671 a month. Presumably the tenant would have preferred to stay in her original home.

If the committee has the ability to make recommendations as far as changes are concerned, I think those changes should be made not to how private landlords conduct their business, but to how subsidized housing is made available to the people of Ontario. There should be an allowance given to landlords who are currently being forced to provide subsidized housing out of their pocket without any form of reimbursement.

Bill 4 serves to make that situation worse. They are even being denied the right, over a period of time, to get their losses phased in. They are being told that it is their obligation to continue to provide that subsidized housing and in the meantime we are going to take your source of income away by building more public housing units. The logic absolutely defies me. There should not be more public housing units built. There should be subsidies made

available so that people can continue to live where they are currently living at an affordable rate for both the tenant and the landlord.

Second, I think that this committee should recognize that not all tenants in Ontario are in need of protection. This is one of the problems that constantly boggles my mind. I get up in front of a group of tenants at an appeals hearing and I have people across the table from me who are making far more money than I am. They are tenants who are living in a controlled atmosphere where they are never going to pay fair market value.

Bill 4 makes that situation worse. It is ludicrous to suggest that someone who chooses to live in a luxury apartment building, where they have everything from pools to Jacuzzis to tennis courts, should be subject to the same protection that someone who is barely getting by should have available to them.

It costs. It is taking money away from the person who is in need. The people who can afford to take advantage of this system are doing so. Quite honestly and frankly, landlords are doing it but so are tenants. The finger should not be pointed just at the landlords for partaking in this system to their own advantage. A tremendous number of tenants, 80% of the tenants in this province, are not in need of rent control.

Third, I would ask that the committee recognize that there is a difference between capital expenditures that are structural and capital expenditures that are aesthetic. You have absolutely no argument from this rent review consultant that there are landlords who take advantage of the manner in which the current legislation is worded. It is very, very easy for a landlord to use something like an unnecessary capital expenditure to up the rent. He knows, especially if he gets his management administration allowance, that his cost is going to be covered for that and in the long term his rents will never go down. It is a very feasible investment if you can afford it.

What I think the committee and the government have to recognize is that there are not that many landlords who can afford to take advantage of that loophole. You have to be very big and very strong financially in order to do the kind of improvement you are talking about. When you talk about marble halls and microwaves, as reference was made to earlier, you are talking about large buildings. You have to buy a few hundred microwaves before it makes any major difference in your rental income. That is not the case with a duplex or a fourplex or a 12-plex. Those landlords do not have the money to take advantage of the system in that way.

I believe that the regulations that were brought into effect last April go a long way to address that. Tenants should be put on notice. Tenants should have some say in whether they want aesthetic improvements in their unit. However, by broadbrushing all capital expenditures you are failing to recognize that the tenants do not have a say on whether the roof should be replaced or the heating system is defective or the electrical system is dangerous. Those are things that must be done whether the tenant likes it or not. The tenants are inevitably going to have to be asked to help bear the burden of that, because you

cannot ask the landlord to go into a loss scenario. You are putting everyone at risk when you do that, because a landlord might not do necessary structural improvements that are mandatory.

Fourth, and almost finally, this committee has to recognize that the amortized cost for capital improvements is not an enrichment for the landlord. The way the system works now is that over time you are reimbursed on the amortized basis for capital improvements you did a long time ago. When you put on a new roof, it is amortized at the going interest rate over 15 years. Fifteen years later you are finally going to be reimbursed for the roof you put on 14 years before. It is not money going into the pocket, which should be available for the new roof that is probably going to be necessary in that fifteenth year. You are going to have to do the whole process again so that 30 years later the second roof is paid for.

It is not appropriate to suggest that landlords should have a reserve fund, especially since reserve funds were legislatively banned. A landlord cannot ask people to pay for future improvements he may or may not do. All that is being done, like a mortgage payment, is that he is being reimbursed for payments that were made in the past, not putting money into a savings account for the future.

Fifth, do not allow Bill 4 to be retroactive. I have no other comment or great words of legalism for you other than to say that this is so grossly unfair and inappropriate that it defies description. I cannot understand how the government can believe that there is any justification for making people go backwards and pay for things that were not due at the time. You are penalizing people unnecessarily. You are taking away from people who went through the system, obtained orders, participated in the system and are now being brought to account for it as though they somehow did something wrong back in 1990. It is simply not fair. It does not make sense, and there is no profit in it for either the tenant or the landlord.

1730

The final comment I wish to make is to please, please recognize and remember that when you hear from tenants that there are all sorts of landlords out there abusing them and abusing the system, those are not the real abusers. The people who come before rent review are the people who are participating in the system. The real abusers are not before rent review. They do not come here, they do not register their rents. They terrorize tenants into paying unlawful rents and intimidate them from addressing their own remedies under the current system. Those are the people who give landlords a bad name. The people you are hearing about, with long descriptions of rent review applications and processes, are people who are within the system, who are obeying the law. I would say the smallest percentage have done anything that could take advantage of the system. They would not be in the system if that is what they were trying to do.

Ms Harrington: Well, where to start? I am sure you have heard from Mr Cooke, on this business of retroactivity, that there are 130,000 tenant families out there who will at this time still get increases in their rents which are over and above the guideline. Even going back to that date of 1 October, there is still all this flowing through that we are not stopping.

I am glad we agree that there are abuses within the system. I appreciate the fact that you have conducted the seminars, tried to get landlords together. That is a very useful thing. What I want to ask you, at the end of this is whether in future, that is, in the next few months, you would consider doing that type of thing and giving input to our government as we try to establish the long-term legislation?

Mr Laing: Without question.

Ms Harrington: Good, because we need to hear from all sides in a most reasoned approach. I certainly cannot agree with all of what you have said, but you have raised some interesting points. In your conclusions you have stated that the assumptions of Bill 4 are worth taking back and looking at very carefully.

I was going to mention your statement that some of the operators with the lowest rents are some of the people who are hurt the most. I think there is something worth looking at there. Those people started in the system with very low rents. You are, of course, concerned with the capital costs. We know that capital costs have to be put in, the updates have to be there, and we have to work that out together. The refinancing is something else, refinancing for loss not for repurchase of a building. That is something we have to consider.

I just wanted to conclude by saying that the private operators, your 200 people here in Windsor and across the province, are very important providers of housing in this province. That is so obvious. We do not want to distort that fact. We need you and we are willing to work with you over the long term.

Mr Mammoliti: How long do I have?

The Chair: You have 35 seconds.

Mr Tilson: Five, four, three—

Mr Mammoliti: Can I have another 35 seconds?

The Chair: Yes, you can. The clock has not started yet.

Mr Mammoliti: Sir, it is obvious that you are pretty bright. I mean, you are a lawyer.

The Chair: The statement was right. I do not think he said it because he was a lawyer.

Ms Poole: On a point of order, Mr Chairman: There has never been any correlation between being a lawyer and—I am married to one. I know.

Mr Mammoliti: I am sure he is bright as well. Can I have another 35 seconds?

The Chair: No, your time has expired. I am joking. Go ahead.

Mr Mammoliti: I just want to ask you one thing, actually two things. Can the average person understand

the language of the legislation that is there now, Bill 51, rent review?

Mr Laing: No.

Mr Mammoliti: Therefore, they have to hire a lawyer to deal with their problems. Yes or no?

Mr Laing: I would say, without being facetious, that tenants can understand the legislation very well, landlords cannot. Landlords have to hire lawyers, tenants do not.

Mr Mammoliti: Okay. The last question. Who can afford you? Landlords or tenants?

Mr Laing: I would say that half of my clients cannot afford me. They are all landlords.

Mr Mammoliti: That leads me to believe that your statement earlier that 80% of tenants do not need help is false.

Mr Laing: I am saying that 80% of the tenants do not need subsidized housing. The people who are being protected by this legislation and should be protected are a small minority. All landlords and the majority of tenants are not in need of that same protection, and that should be recognized. We are bringing it down to a common denominator.

Mr Mammoliti: But they cannot afford a lawyer to represent them, and landlords can.

Mr Laing: No. I am saying that all of my clients are landlords and half of them cannot afford me. They are not making any money off their buildings.

Mr Mammoliti: So tenants obviously cannot afford you.

Mr Laing: The tenants do not need me.

Mr Mammoliti: But you are a consultant, are you not?

Mr Laing: Tenants only need to go down to rent review services and say, "I think I'm paying too much rent," and then all the work is done for them.

Mr Mammoliti: Is that all they have to do? You sit here with a straight face and say that is all they have to do?

Mr Laing: I devised the form that is currently used by rent review services. It is a question and answer, and when the tenant fills out that form there is nothing further needed by the administrator in order to process that tenant's application.

The Chair: Very good. Mr Laing, your time and the committee time has expired. I want to remind the committee that our session for today is over. You will probably receive some information through the mail from the clerk and/or myself. I wish you all a safe trip home.

The committee adjourned at 1737.

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Monday 11 February 1991

Standing committee on general government

Residential Rent Regulation
Amendment Act, 1990

Chair: Remo Mancini
Clerk: Deborah Deller

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Première session, 35^e législature

Journal des débats (Hansard)

Le lundi 11 février 1991

Comité permanent des affaires gouvernementales

Loi de 1990 modifiant
la réglementation des loyers
d'habitation

Président : Remo Mancini
Greffier : Deborah Deller

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Monday 11 February 1991

The committee met at 1304 in the Holiday Inn, Hamilton.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Vice-Chair: Good afternoon and welcome to the committee hearings of the standing committee on general government. We are having a look today at the provisions of Bill 4. We have, I believe, 13 presentations to the committee today. Because of the number of presentations, we have to restrict people very carefully to the time allocations. This means that for most presenters there will be 20 minutes allocated to you. We do that by allowing a 10-minute formal presentation, and then evenly dividing the other 10 minutes among the three caucuses represented here.

HAMILTON AND DISTRICT APARTMENT ASSOCIATION

The Vice-Chair: Our first presenter today will be the Hamilton and District Apartment Association, and they are being represented at the table by Jeff Walker, John Bruno and Ken Mate. Good afternoon, gentlemen.

Mr Bruno: Good afternoon. Jeff Walker is late. He did not say he might not be here; however, in his stead we will continue.

The Vice-Chair: For the purposes of Hansard, perhaps you would introduce yourselves and repeat the name of your organization and the positions you hold in the organization, please.

Mr Bruno: My name is John Bruno. I am the executive director of the Hamilton and District Apartment Association. On my left is Ken Mate. He is a member of our association and a landlord.

Mr Mate: A local landlord in Hamilton.

Mr Bruno: Ladies and gentlemen of the Bill 4 committee, since we are first on tap, welcome to Hamilton.

As previously stated, my name is John Bruno and I am executive director of Hamilton and District Apartment Association, an organization covering the area of Oakville, Woodstock, Brantford, Hamilton and the Niagara peninsula. Our association, which was formed in 1965, is made up of landlords and property managers, and we represent some 44,000 units of the 75,000 units in the mentioned area. Our membership is made up of small landlords consisting of duplexes, triplexes and apartment buildings of 10 units or less, with a monthly rent of approximately \$500 for two bedrooms.

It is important to note, however, that the 1990 provincial policy statement covering region 7, a region we are in, says an affordable rent ceiling could be \$1,240. Our asso-

ciation is somewhat unique as it is the largest association outside of Metro Toronto. Much of my time as executive director is assisting not only landlords, but also tenants, as we are the only known association that has a mediation service set up to assist the two mentioned. I might also point out that in the past 10 years in our mediation service we are batting 1,000.

I would like to pass on to the committee today, in this forum, that it is not my personal views but the results of a survey conducted by our association via its members covering two important items.

First, it is felt that Bill 4, if passed into law in its present form, may assist tenants in the short term, but in the longer term will be devastating to landlords who in turn will reflect it on the tenant population. A better way must be found. Bill 4, we feel, is not the answer. Our association feels that the Stuart Thom commission report should be reopened, looked over and adjustments made where necessary in conjunction with associations, landlords and tenants.

Second, another item that is of concern to our members is that Bill 4 will remove previously granted phase-in provisions, and by doing so will put many of our small landlords out of business or into receivership. It is also thought by some of our legal advisers that the inception of Bill 4 and its provision is a form of expropriation, and if it is deemed to be a form of expropriation the government must pay fair compensation. I expect that if Bill 4 is passed into law, some type of court challenge may be initiated with regard to this expropriation item.

I mention these two items and hope you will take this into consideration when you deliberate prior to making your final report. In closing, I hope I have passed on the views of our association. At this time I would like to pass on the floor to Ken Mate, who I introduced previously as a landlord and a member of our association.

As I understand it, our time is limited. Some of the associations in previous hearings were given 40 minutes, so we had to cut our procedure to roughly 20 minutes. If time permits, we would be happy to answer any questions you might have. At this time I would like to pass the floor on to our associate, Ken Mate.

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Mr Mate: Good afternoon, ladies and gentlemen. My name is Kenneth Mate. I had an opportunity to meet John a number of years ago and have been very fortunate to be a member of the association in Hamilton.

I would like to tell everybody a little story about a young man who in 1975, after recovering from cancer surgery at the age of 26, felt he was getting a raw deal where he was living here in the city of Hamilton. He was a steelworker at one of the steel mills here in Hamilton.

Basically, what he used to do whenever he had a problem, whether it was a plumbing problem or a problem getting his apartment painted or some minor repair, he would go to a landlord and he would be talking to deaf ears. Being ambitious like this young man was, he decided that he would take it upon himself to go ahead and spend his own hard-earned money to improve his own unit, and he never did ask the landlord for anything in compensation of whatsoever nature. However, when the landlord increased the rent yearly, he paid the increases without any qualms.

Feeling that he had been helped by the community through the cancer society, he decided it was time to give back of himself to the community that had helped him. He thought the easiest way would be to help other people. At that time, in 1975, there was talk of a new rent review system. While not knowing very much about landlords or tenants other than his own situation, or rent review, he decided maybe he would become a landlord.

As the story goes, this young man looked at a lot of different properties, over 100 to be exact, and he decided that he would put offers in. Bear in mind he only had \$2,000 that he had saved through Canada savings bonds, and he had two credit cards with \$500 limits on each one.

He solicited two or three local realtors and he went out to look at various properties in the community of Hamilton and various areas of the city, and he put in various offers, most of which were rejected. But there was one particular property that he spotted when he was out looking in the neighbourhoods himself. There was a "For Sale" sign by owner. So he jotted the number down and he called the owner who lived in Grimsby, which is not too far from the city of Hamilton, and the owner was nice enough to meet him at the property two days later and show him through the building.

Basically, the young man, being a novice, noticed two empty units that were in very bad disrepair and needed paint, new plumbing, new kitchen counter tops, new carpeting and basically a general cleanup. One was a one-bedroom, the other was a two-bedroom, and the other two units in the building were inhabited by tenants with very low rents and also were in very bad disrepair.

The young man said to the owner of the building: "I'm interested in buying your building. There's only one problem. First of all, the building needs a lot of work, which I am prepared to do, and second, I don't have a lot of money." So they negotiated a fair and equitable deal where the young man would put \$1,500 down and the vendor of the property would hold the financing for five years.

With two empty units he had his hands full. He spent many long hours during the day and in the evenings, depending on what shift he was on at the local steel mill, to go in and renovate these two particular units. After about two weeks, he said, "It's time to put an ad in the paper and time to put signs out looking for tenants."

On a Saturday morning when he was there doing some work, a lady came to the door with two small children and she said, "Are you the landlord?" He said, "Yes, I am." She said, "Well, I'm looking for an apartment." So he showed the lady around and showed her what he had done

to the particular units, and she said, "Oh, sir, I really like this two-bedroom that you have fixed up, but there's a small problem." He said: "Well, I have problems, too. How can I help you?" She said: "Well, I'm on mother's allowance and I have two small children. We have looked the neighbourhood over, and there is a school close by. There's a church for worship, and we would like this neighbourhood." She said, "How much is the rent?" The young man said, "Two hundred dollars a month."

Needless to say, he was looking for a tenant and she was looking for an apartment and they made an arrangement. There was no lease signed. There was not even a last month's rent taken because she could not afford to pay it.

The young man said to the lady with the two children, "Can you afford to pay the first month's rent and move in within two weeks?" She said, "Yes, I can." "Would you be willing to make sure your own garbage is put out?" She said, "Oh, that is not a problem." He said, "It does not look like you would be able to shovel snow or cut the grass. I'll make sure that is done for you."

About two weeks later, after this particular tenant had moved in, the landlord found another young fellow looking for an apartment who was a postman who happened to come by and see the sign out front. Liking the neighbourhood as this young fellow did, he too talked to the landlord and the landlord said, "Yes, I would be very interested in renting you the apartment and the one-bedroom is at \$175 a month."

There was only one other stipulation for the postman. Would he be helpful in making sure the grass was cut and the snow was shovelled? And again, there was no agreement. It was all verbal. That arrangement was made.

That arrangement lasted for five years for this young man who was a landlord, but in the interim he went ahead and renovated the other two units that had existing tenants.

After about three years this young man thought that this was the ideal situation to help people and improve the community and he started looking around for various properties that had been vacant or that had had certain problems with them, or fires. He found two of them, but he had the same problem that he did when he found the first property. He did not have any money but that did not stop him. He put an ad in the newspaper, in the local Hamilton paper looking for money and got three calls. One particular call was from a gentleman who worked at the same steel mill as him and said he was interested in getting involved. How could he get involved?

They had various meetings and they wanted to put a partnership together, which they did and they both had the same initiative. They still went through the same process of selection of people and working with the people that they had as well as renovating the buildings together. Now both of these gentlemen were novices. They did not know about rent review. They did not know about capital expenditures. They were just happy to get their units rented for whatever the market would bear as far as a rent price was.

As time went on, these two gentlemen became a little more sophisticated and friends and fellow workers joined them and said, "If this can be an improvement to the community, we're willing to work at it with you." Through

their endeavours and contacts at their local mill, they worked with various partners such as a carpenter, a plumber, an electrician and they amassed about seven properties. They felt it was time to get in from the smaller single-family duplex, triplex, fourplex to a small apartment building.

At that time is when I met John Bruno and we became a member of the association here in Hamilton. We became more aware of what was happening. As you can tell from the change of the conversation, that young man was me, and 15 years later after renovating 80 properties between Hamilton and the fair city of Sarnia, including Brantford, I find that the rent review legislation has complicated our business in trying to help the community. We still do that. We are not looking to become millionaires because that was not our goal from the beginning and is still not our goal now. We are just trying to give back to a community that has been helpful to us.

The New Democratic Party has come in. I have often heard our Premier, Mr Rae, talk about equality. Well, I believe in that too. But there is only one problem. His term and definition are totally different from mine, because as a landlord I do not have any rights, equal or unequal. How am I going to go back to these various individuals who invested their hard-earned money? Some of them put their houses up for risk in order to borrow money to help in renovations. What they had thought was a long-term investment basically is a short-term mis-investment.

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I just wanted to mention that I have recommended to all of our people in various areas that they should write to their local member of Parliament. The 40 people involved with our investment club—and that is what it is now, to help various areas of the community—wrote letters to Mr Rae, Mr Cooke, Mr Harris and Ms Poole, and as of 4 February, we received responses from Mr Harris and Ms Poole. However, we have not as yet received any response from Mr Rae's office or from Mr Cooke. I would hope that if in fact we get a response, it is on the same lines as we received from the Liberal and Conservative members; that is, if we get a response at all.

If we are going to have a fair and just system, we must deal with it all as tenants and landlords as well as legislation. I know in our business we have found the best customer is your tenant. You get a lot of good feedback from them, and you have to listen to what they have to say. When I go shopping, I would hope—

The Vice-Chair: Thank you. We can perhaps pursue this in conversation and questions from the members.

Mr Mahoney: I have a question. I think we are probably limited in time and numbers, so I will just ask one question on this. I am interested in how you formulated your rent increases, say, over the past few years. You told us the story of how you got into the business, and you now have a number of buildings. What I would like to know is on what basis, or perhaps you have an average increase, how you have been passing on rent increases to your tenants. The second part of the same question is what your turnover rate might be.

Mr Mate: In the past five years since we have got into larger buildings—when I use the word “larger” I mean from eight units to 25 units, and we have one building that is 49 units—we have on average about 10% in increases over the past three years.

Mr Mahoney: And turnover?

Mr Mate: Our turnover varies from building to building. On average, of the 100 or so units we may have, our turnover would be about 8% to 10%.

Ms Poole: Because time does not allow us to have a very lengthy conversation, I will limit my question to one. You mentioned that you had conducted a survey of your members. How formal was this survey? Do you actually have any published results you could share with the committee?

Mr Bruno: No, unfortunately we do not have any published results. We send out bimonthly bulletins to our association members, and it was a phone-in and write-in response covering the two items I mentioned, the expropriation portion of the item I mentioned and also Bill 4 with regard to the bankruptcy item. The results of the survey were as stated in my presentation. The smaller landlords felt Bill 4, if passed in this form, will bankrupt them or put them into receivership. The larger landlords—I am talking landlords with 10,000 units or more; that is probably the Toronto area; we do not have anything of that size in our area—might be able to struggle through with some buildings that are paid for maybe subsidizing some of the buildings that are not. However, the smaller landlords, which make up a great deal of our association, will find financial hardship if Bill 4 is passed in this present form.

Mr Tilson: To the second speaker [failure of sound system] when you ran out of time. Is there any evidence that the government is listening to the concerns of people like you?

Mr Mate: I am not a politician. I work in the steel industry. As a matter of fact, talking about the steel industry today, the government supposedly is listening to our fellow workers at Algoma in Sault Ste Marie. Whether anything will come of that is unknown to me. I would like to think that these hearings that are progressing—although I did hear on the radio this morning that the green paper presentation will come out on 18 February and we still have not finished all these hearings. So I am curious why the government would even propose such a situation at this time.

Mr Tilson: Our point as well. To the first speaker, you commented about legal proceedings. Is your organization planning or do you know of any organization that plans to institute legal proceedings against the government?

Mr Bruno: No, not at this time. This was not a threat. I hope you did not take it that way; it was just a point of information. There has been discussion with our association and the 10 other associations in Ontario that are recognized by the Ministry of Housing. There has been some talk on a possible court challenge with regard to the legality of the expropriation portion of items that have been previously proclaimed law by previous governments.

Mr Tilson: Several weeks ago the Minister of Housing announced that \$15 million would be made available to landlords to repair low-rise apartments. Our belief, of course, is that that is an acknowledgement of the need for repairs to many of the buildings, 75% of which are 20 years old or more. Do you have any thoughts on that type of thing, as to how much money might be needed by the government? In other words, if private enterprise cannot do this sort of thing, how much money will it take for the government to pour into your buildings, for example?

Mr Mate: On average, if it is a one-bedroom apartment, for painting, decorating, new carpeting, you are looking at approximately \$2,000 per unit. If you want to get into other repairs, such as plumbing repairs, counter tops, new vanities for bathrooms, taps, etc, you may run up to \$3,000 per unit. That is provided you do some of the work yourself as a landlord, which we do in a lot of instances because we are small landlords, and subcontracting the work you cannot handle.

Mr Tilson: With Bill 4 and, if it becomes more concrete, with the permanent legislation, do you intend to do those things?

Mr Mate: No.

Mr Tilson: Do you intend to do anything at all with respect to any sort of capital expenditures?

Mr Mate: The only thing I will do is keep up with the standards board as it has outlined. However, if we do need a new roof we will go to the Minister of Housing and we will look for a grant under the low-rise rehabilitation program, because for a roof on a 25-unit building, for example, you are looking at between \$30,000 and \$40,000 or more, again, with us doing some of the work.

Ms Harrington: You have told us your very personal story, and we appreciate your concern and it is nice to see people who are steelworkers being that much involved in the community.

I first wanted to respond to your question about the green paper. Our position as a government is that Bill 4 is interim legislation and that we are committed as quickly as possible to try to get into the long-term legislation and come back and talk to everyone around this province about what kind of system is going to work for the long run. We want a system in place that is much simpler than what we have had, that will be of benefit both to landlords and tenants. That is why we are trying to get this green paper out. It is a series of options.

I better not use up all my time. We were going to be going all through spring and summer trying to get the right choices made with your help so that we can bring in the legislation this year, so that we will not have Bill 4 in effect any longer than is necessary.

The questions I wanted to check with you: First, Mr Bruno, how many buildings do you personally own?

Mr Bruno: I am not a landlord. I am executive director of an association.

Ms Harrington: I see. So it is Mr Mate?

Mr Bruno: He is the landlord.

Ms Harrington: How many buildings would you own?

Mr Mate: We have five presently, five apartment buildings.

Ms Harrington: Over the past, say, four years or so, have you gone for rent increases to rent review?

Mr Mate: Yes, we have. We have become a little more sophisticated because of the cost to operate.

Ms Harrington: What type of increases have you received?

Mr Mate: On average, 10%.

Ms Harrington: And is that every year in the last five years?

Mr Mate: I would say on average yes. Some buildings were a little bit higher. In two cases, we just had guideline rent increases.

Ms Harrington: Of the tenants you have, most of them would be fairly low to moderate income, would they?

Mr Mate: Yes. All of our units range less than \$600 a month, on average, and that includes bachelors, one-bedrooms and two-bedrooms.

Ms Harrington: Approximately how many of those tenants would be on fixed incomes?

Mr Mate: Again, it varies from building to building. I would say that out of the total of 150 tenants approximately 50 tenants would be on fixed incomes.

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Ms Harrington: If they are on fixed incomes, basically they might get a cost of living allowance increase every year, which is maybe 5%. How can they then afford a 10% increase each year? Of the tenants you have, how many have had to move out because of the increase of 10% a year?

Mr Mate: I do not believe we have had so many people move out because of the increase. I think it is just basically economic situations for various people. People have lost jobs. They just cannot afford to pay the rent. Maybe they will share with somebody else. We have tried to look at every case individually, not just as a whole. We have one building where we have some senior citizens, right here in the city of Hamilton. We have directed them to the self-help group, and it has been very helpful. We are willing to work with our people. The key thing is to have a full building, 100% occupancy, and in one case we have even reduced the rent to keep the tenants.

The Vice-Chair: Thank you very much, gentlemen, for coming before the committee today. We will be taking your views into the fullest of consideration.

[Interruption]

The Vice-Chair: They are having difficulty hearing at the back. We will attempt to raise the volume.

DUNDURN COMMUNITY LEGAL SERVICES

The Vice-Chair: The next presenter will be Dundurn Community Legal Services, Judy MacNeil. Welcome, Mrs MacNeil. You have 10 minutes to make your presentation and then the members of the committee will discuss your presentation with you for 10 more minutes. Would you introduce yourself and your organization for the purposes of Hansard?

Mrs MacNeil: My name is Judith MacNeil. I am the executive director of Dundurn Community Legal Services. Dundurn Community Legal Services is a legal aid, community-based clinic in central Hamilton that has been providing services in the area of housing issues for the past 12 years. Presently, the clinic represents various tenants associations that are comprised of residents from over 150 apartment units, as well as individual tenants in various locations throughout this city.

As approximately 45% of the population of this city resides in rental accommodations, legislation that imposes some form of rent control is of prime importance to this segment of the population. According to the 1990 regional housing statement update of the Hamilton-Wentworth planning and development department, 24% of all households had incomes of less than \$15,000 per year and 35% of tenant households are paying more than 30% of their gross income on rent. In addition, 16% of tenant households pay more than 50% of their gross income on rent. Therefore, for the working poor and the financially assisted renter, rent control is vital to their housing needs. Continuation of unbridled rent increases could threaten this segment of the population with the real possibility of homelessness. We therefore endorse the amendments to the Residential Rent Regulation Act as proposed in Bill 4 as interim measures to prevent excessive rent increases while the present government proceeds with drafting permanent rent control legislation.

We in the clinic system come face to face with the financial burden that the present legislation imposes on tenants. Perhaps the most onerous part of the present legislation from the tenants' perspective is the allowance made for capital expenditures which, when granted, is factored into the total rent increase of the base rent. Such an increase extends beyond the lifespan of the repair or addition for which the capital expenditure was made. The tenants then must continue to pay for this expenditure, as the act does not provide for automatic rollback of the capital expenditure allowance after the lifespan of the repair. Consequently, the landlords continue to receive this increase on an ongoing basis, long after they have been reimbursed for the cost of the capital expenditure.

The other allowed increases for financial loss, operating costs are added to this allowance, and the financial benefit to the landlord compounds. While most tenants willingly pay an increase to which a landlord is entitled by reason of inflation and increased operating costs, it is mind-boggling to all tenants that they should bear the financial burden for expenditures that directly benefit the landlord's investment. Not only is the actual expense of the capital expenditure passed through to the tenants, but the landlord is also allowed an additional 10% for management and administration. Therefore, the elimination of this allowance for capital expenditures as proposed in Bill 4 is particularly gratifying to tenants. The tenants we represent heartily welcome this amendment.

The proposed Bill 4 does not, however, address all areas of concern to tenants. One such continuing problem is the landlords' demand for illegal rents in excess of the maximum legal rent. Perspective tenants who are unaware

of the rent registry system or of the concept of maximum legal rent pay excessive rents. Recently, our clinic became aware of a situation where the tenants had been paying rents which were 61% above the maximum legal rent. The landlord's response to our protest was that the building was under rent review, although the amount of increase requested in the application was 19%. This is not an isolated case. Landlords continue to exact exorbitant illegal rents from tenants who, by reason of ignorance of their rights and/or fear of being forced out of their homes into a housing market plagued with a paucity of affordable rental accommodations, are willing to pay these amounts.

The present legislation and the proposed Bill 4 do not fully address this situation, aside from providing for applications for rent rebates, which are notoriously slow to be processed. The penalty provisions as set out in section 122 of the present legislation do not benefit the tenants who have suffered the economic hardship of overpayments and who continue to carry the responsibility of seeking out their rights in an obtuse paper process.

One is left to wonder how often the penalty section is even used and landlords are brought to task for blatant non-compliance. While section 100r of the proposed amendments allows for automatic deductions by the tenant for excess rent paid resulting from non-compliance with sections 100o, 100p and 100q, the tenant must still rely on the section 95 application process for repayment of excess payments in situations where these sections would not be applicable.

It would be reasonable to expand section 100r to allow for automatic deductions of rent wherever there has been a payment of excess rent and to provide allowance for interest to accrue on excess rent payments not repaid.

Another area of concern is the landlord's failure to maintain properties in a state of good repair while at the same time applying for increases in rent based on capital expenditures for repairs and additions that do not affect the ongoing repair of the property. The guideline rent increase includes an allowance of 1% for minor capital expenditures. There are few landlords who utilize that 1% for minimal repairs and maintenance. Tenants are living in buildings where basic repairs are not attended to but cosmetic expenditures are made as a matter of course.

The foregoing submissions represent some of the concerns of tenants here in Hamilton. As was stated, the changes as proposed in Bill 4 are welcome amendments to the present legislation, which has not been a satisfactory vehicle for protecting tenants, especially those from low-income groups, from spiralling housing costs. Tenants throughout the province are looking to the NDP government for permanent rent control legislation that will protect them and at the same time provide housing at fair cost. Tenants here in Hamilton look forward to participating in the development of such legislation. Thank you.

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The Vice-Chair: Thank you. Mr Tilson.

Mr Tilson: One of the main problems that we have in this province is that there are very few, if any, new starts in residential accommodation, particularly in the apartment

sector. Do you have any recommendations to this committee or do any of the groups that you have spoken to have any thoughts with respect to recommendations to this committee as to how a government could encourage private enterprise, or the government, for that matter, to start new starts in the residential field?

Mrs MacNeil: I really cannot think of a proposal at the moment.

Mr Tilson: If I could just interject, that is one of the criticisms that has come to us from people appearing before us at this committee, that all Bill 4 is doing is digging a hole even deeper and deeper, and landlords and owners are simply refusing to build or expand new housing accommodation. So my question is simply, how do we get out of this hole, as opposed to digging deeper?

Mrs MacNeil: Maybe it is a situation where landlords have to be re-educated, or potential landlords have to be re-educated. Right now, I think landlords expect almost to have a ready-made money maker in a building. The money that is made, the capital that is produced on the turnover of the building seems to be, as in any real estate investment, enough incentive for landlords. Why does there have to be ongoing incentives on a continuing basis of more return on your money? If you are cutting even on your expenses and making a small profit, is not your profit to be looked to at the end of your ownership?

Mr Tilson: I guess I am looking for a response from an organization such as yours to people who come to this committee and simply say, "We're taking our money out of the country," that is, investors from out of the

country. "We're not investing in Ontario" or "We're getting out of the housing industry. It simply does not pay us. They show us statistic after statistic after statistic, but it doesn't pay to build apartment buildings. It doesn't even pay to own them." So how do we deal with that? Have you any thoughts on that?

Mrs MacNeil: I find it hard to believe that large property owners in this province can actually show something on paper that they are not making a profit and that they are not encouraged by the rental market. I just find that hard to believe.

[Applause]

The Vice-Chair: This is a hearing of the Legislature of Ontario. Public outbursts, either in support or against or of any other fashion, are not allowed.

We have some questions now from the New Democratic caucus.

Mr Owens: Thank you, Mr Chairman. With respect to the case load that your centre has dealt with over the past few years, have you seen an increase in that case load, and if you have, what type of percentage have you seen with respect to an increase?

Mrs MacNeil: An increase in case load pertaining to rent review legislation?

Mr Owens: That is right.

Mrs MacNeil: Definitely. I am just ballparking when I give you a percentage, but I would say we are seeing twice as many clients coming into our centre with rent

review problems. We are representing a clientele that is in the lower-income bracket of this society and I think they are the ones who are most seriously hurt by the situation right now, and definitely we are seeing large increases.

Mr Owens: With your case load, do you have any idea, first, what the average percentage increase that these folks who have come into your office to appeal has been and, second, with respect to the type of clientele, as well as the city of Hamilton, which tends to be very sensitive to external economic forces, the type of social costs that are involved in landlords obtaining these large increases?

Mrs MacNeil: As far as percentage of increase, we are seeing anywhere from 15 to high 20s, and very often we see people in the same building experiencing increases year after year. I am saying maybe 11% this year, 19% the previous year and it is an ongoing thing. I know in one situation where we represent a tenants association, the landlord has submitted applications for a whole-building review from 1985 through to 1991.

Mr Abel: Mrs MacNeil, I certainly do appreciate your presentation here. It certainly concurs with what a lot of tenants have been telling me. I take it from your presentation that in your opinion the current legislation simply does not work, is that correct?

Mrs MacNeil: Absolutely not.

Mr Abel: Do you see Bill 4 as a temporary measure to perhaps give us breathing space to look for a long-term solution to deal with these obvious problems in the current legislation?

Mrs MacNeil: Yes, yes, it will. Obviously its own repeal is built into it and it is going to give tenants some kind of encouragement to look forward to new changes with the permanent legislation. I think it will be a hiatus that is badly needed for tenants right now, who are just deluged with not only the effects of these applications but the mind-boggling state of why this is all happening and how it can happen to them and relate to what they are living in, the situations they are living in.

Ms Poole: Thank you, Mrs MacNeil, for your presentation today. It has been quite helpful. You have highlighted several areas which Bill 4 does not redress but which are of concern for tenants. For instance, you have mentioned the fact that once a capital expenditure has been paid for through the amortization period, once that amortization period is finished with and the repairs paid for, tenants continue to pay for that increase in their rent, and I appreciate the fact that you have highlighted that. That is something I am concerned with, that Bill 4 does not have a cost-no-longer-borne provision for those capital expenditures, so that has been quite helpful.

The second area which you mentioned was payment in excess of the maximum legal rents and the fact that there is no penalty. Again, I feel that this is an oversight in Bill 4. While there are provisions in the current act which say that you cannot charge more than the maximum legal rent, the penalties are not as stringent as some of us would like, so that too is an improvement that I suppose you would like to see in Bill 4 as well.

Mrs MacNeil: Yes.

Ms Poole: The third one was the failure to maintain properties in a state of good repair while putting through rent increases for capital expenditures. Now, I share that concern, but what I see happening with Bill 4 is that on the one hand it says there shall be no capital expenditures whatsoever put through, not even if the structural integrity of the building is in jeopardy, not even if the health or safety of the tenants is in jeopardy, and I have a concern that even in the interim period, which may be up to two years, none of these repairs will take place. Would it not make sense to have a provision in Bill 4 that there be necessary repairs to the structural integrity or to that which places the tenants' health or safety in jeopardy but that it be capped and there be a provision in, where there has been ongoing, deliberate neglect of the building, that the rent increase might not be allowed? Would you see that as an acceptable alternative which would help some of our buildings which desperately need these repairs and yet protect tenants from high rent increases?

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Mrs MacNeil: Yes, in part. Well, there is the problem there again of, where is it capped? Who determines what is necessary? Right now the standards branch relies on the municipality bylaws as far as maintenance is concerned, and the state of the building. This has proven unsatisfactory, and are we not getting into that same situation? What is necessary is a broad term, and I know that philosophically it may not be, but in the practical aspect of it, in the practical interpretation of it, and that is my concern, we are sort of back to where we started from.

The Vice-Chair: Thank you, Mrs MacNeil.

ARUN PATHAK

The Vice-Chair: The next presentation will be from Arun Pathak. Good afternoon, sir. If you would introduce yourself and your organization, if there is one, to the committee for the purposes of Hansard, you have 10 minutes to make your presentation, followed by 10 minutes of questions from the committee.

Mr Pathak: Excuse me, I have a bit of a sore throat. My name is Arun Pathak and I am property manager for SMAR Holdings Ltd.

I prepared a presentation which would take me 25 to 30 minutes to read. It is detailed and gives my views and experiences on a number of points, many of which I have seen raised by various groups to this committee. I have submitted the complete presentation to you in writing, and I will proceed to give a summary of it to you now.

I ask this committee to seriously look at my proposal as an alternative to the current bill. I have also related some of my experiences with certain matters, including economic eviction, and I would like to introduce the concept of tenant imprisonment, a matter I feel very strongly about.

The minister has introduced Bill 4 as a temporary, interim measure to stabilize the rental market, but the market is not unstable. Rent increases have been at an average of 5.8% for 1989, and 1990 was probably similar. The market

is not in an unstable condition, and recent instability is in the tenants' favour, giving many tenants benefits in terms of reduced rents or sometimes in terms of better upkeep and maintenance of apartments.

The proposition that we must jump from this frying pan regardless of where we land is totally incorrect, because the market is not unstable and we do have enough time to look where we are about to leap. To try to justify this reckless legislation, the minister and Premier are fond of quoting three things: 100% or 150% rent increases, luxury renovations, and flip after flip after flip.

First, the 100%-plus rent increases: They have affected one in 14,286 units and if any person tells me that this problem cannot be solved by a cap or a phase-in of capital expenditure, he is a fool or a liar and should withdraw from this debate.

Luxury renovations have also been exaggerated out of all proportion. No figures are available, but they can be solved in one of two ways. Either define luxury renovations in the legislation and disallow any of them, or give tenants a veto on renovations in their apartments.

Flipping of apartment buildings can be stopped by a speculation tax, about which there has been some discussion. Again, no figures are available with regard to flips, and a change in management can lead the tenants to think the building has been flipped. Of course, when a building is sold, capital expenditure is not allowed in the first year. Therefore, sales of buildings generally give 5% over the guideline increases for financial loss.

These three things would stop the perceived problems without stopping capital expenditure. The effects on the economy would be minimal; job losses would be minimal. Landlords would not face hardships and possible bankruptcy, and I expect all parties in the legislature would show general support, as would landlord and tenant organizations.

I would like to go on to some of the other concerns of tenants, most of which are not addressed by Bill 4.

Economic eviction. First, tenants only get large, retroactive rent increases because when Bill 51 became law, it was implemented too soon. If the old system had continued for a year, the staff could have been trained in that period and the large backlog of applications would not have occurred. This is, or was, one of the major complaints of Bill 51. There is a lesson to be learned here: Give new legislation time to be set up before it is implemented. If it is true that all rent review applications are on hold pending the outcome of Bill 4, then when the orders finally come out, they will be retroactive. My experience with retroactive orders is that some tenants decide they would rather move than pay the legal and justified increases. They immediately stop paying the rent, not just the retroactive portion but also the current rents. They then wait for the landlord to go to court and get an eviction. They live rent-free for two months or more. Just before they get evicted, they find a new apartment and, having stolen enough of their current landlord's money to put down as first and last month's rent, they move, having made quite an economic profit from their eviction.

Are these the people on fixed incomes, often seniors? No, generally people on fixed incomes understand they must budget and they generally either pay the proposed increase or put money aside for it. Usually, they have a surplus because the increase is not as high as the proposed amount. I do have two possible solutions to help people on fixed incomes. The government can issue every person who goes on a fixed income a card showing which year he went on the fixed income and then ask or tell or retroactively legislate for food, clothing and other suppliers to charge 10- or 20-year-old prices. The other solution is to ask the United States, Japan or Saudi Arabia or anybody else to subsidize the income of these people and fight the war against poverty in Ontario. We all know the problems of insufficient income are the responsibility of our provincial and federal governments, but they can try and pass this problem off elsewhere.

A number of tenant groups have spoken of housing or shelter as a right. I agree that housing should be a right, right behind food and clothing. Should the third right not be a part of the market economy when the first two are? The government has not suggested that supermarkets should give cheaper food to the needy; then why should landlords subsidize tenants? The correct thing to do is to ensure that every person has sufficient income to pay for his food, clothing and housing, and I think shelter subsidies must be part of a long-term plan.

It has been suggested that landlords can purchase a building at any price and pass on the cost of 85% of the mortgage to the tenants. It has been suggested in such a way as to say there is no ceiling, that the sky is the limit. This is a myth. The value of an old building will always stay proportionately below the cost of construction of a new building, maybe 20% or so. To achieve the construction of new rental buildings, the value of older buildings must rise to this level, and the value of the older buildings is determined by the current and projected rents. The fair, long-term solution must allow a gradual increase in rents to reflect increased value due to increased construction costs.

Here, I want to bring in my concept of tenant imprisonment. If legislation does not permit a pass-through of increased mortgages due to increased values, rents will be as follows.

The rents on a building built many years ago at a cost of \$20,000 per unit will be the current operating costs plus the cost of a mortgage of \$17,000 based on 85% financing. Buildings built at a cost of \$50,000 a unit will have rents of operating costs plus a mortgage of \$42,500. Buildings built at a cost of \$140,000 a unit will have rents of operating costs plus a mortgage of \$119,000. The rent differential will be great and ever-expanding. Will there be any units available in the buildings that were built for \$20,000 per unit? Yes, when a tenant dies. Will a senior citizen or a single mother be able to move from an old building in Toronto to be near friends or family in Hamilton? No. All units available in Hamilton will be in the higher-priced, newer buildings. That is the imprisonment of tenants which will be created by our NDP government if it does

not allow financial-loss pass-through based on increased value.

Our industries will suffer due to lack of labour mobility; people starting their adult lives will face the highest rents, as will immigrants and people getting divorced. Seniors will be stuck in cities far away from their children and grandchildren. The distortion created in the marketplace over the years will threaten our livelihoods, our freedoms, our rights. Everything Ontario and Canada stands for will be adversely affected.

You will have to read my written presentation regarding reserve funds and landlords putting money away for major renovations and repairs, because I want to get on to other points.

1400

Retroactivity: I understand that it is a principle of democracy that no government will put forward legislation which is binding on a future government and which cannot be changed by the future government. The same principle must be applied to retroactivity. No government should go back in time and make changes to what a democratically elected government did when it was in power. It can be changed for the future but not for the past. Retroactive legislation is something one expects to see from the illegitimate government of a Third World dictator who has seized power, killed his predecessor and is determined to not just change but annul, abolish and declare invalid his predecessor's actions.

How would this government feel if either opposition party stated that it would reinstate current orders that are being cancelled when it comes into power in five, ten or twenty years' time? All landlords should get any increase due to expenditure they have already made whether it be capital expenditure or financial loss on the purchase of a building.

What does the bill do for tenants who have bad landlords? Nothing at all. Only a free market with rents high enough for construction of new units, thus creating a small vacancy rate, can force landlords to compete to keep their tenants and thereby provide a better service to the tenants. The free market has worked well all over the world. Countries behind the Iron Curtain are now looking to adopt a free market economy. We could perhaps learn from them.

Mr Abel: Thank you, Mr Pathak, for your presentation. It did bring a couple of questions to mind. First, in your opinion, what responsibility should landlords take in protecting affordable rental stock in their respective communities?

Mr Pathak: Why is it a landlord's responsibility as a general industry to look after the affordable stock? There are a lot of parties involved in that, and you have also got to consider—

Mr Abel: Are you saying landlords should not take responsibility?

Mr Pathak: Well, landlords are running a business there. They have responsibility for their business.

Mr Abel: And because they are running the business, they should not take the responsibility?

Mr Pathak: Responsibility for what? For making sure that the rents stay—

Mr Abel: No, we are talking about protecting affordable rental stock here.

Mr Pathak: Well, the rental affordable apartment has been defined as \$1200 something if you are looking at new units, so there is very few units in the area that are anywhere near that. But that is the Ministry of Housing's definition of affordable and most people cannot afford that.

Mr Abel: What responsibility should landlords take in the ongoing maintenance of the building?

Mr Pathak: The ongoing maintenance is their responsibility and yes, I have sat here and I have listened to the television and I have heard tenants come up and describe criminal landlords, and there are some of them. But there are also criminal tenants out there, and if there are criminal landlords, Bill 4 is not doing anything to stop that. A free market would solve that problem but Bill 4 will not.

Mr Abel: Then Bill 4 is only a temporary measure.

Mr Pathak: It is temporary but it is retroactive and it is going to affect business decisions made three or four years ago so that affects five, six years.

Mr Abel: Are there any outstanding repairs on your buildings?

Mr Pathak: There are always repairs. I have got somebody doing repairs right now while I am here. So I cannot say there are no outstanding repairs. Yes, there are new repairs that come in every day to be done.

Mr Abel: What level of increases have you asked for in, let's say, the last two years?

Mr Pathak: Generally we have had phase-ins of 5% over the guideline.

Mr Abel: Over the two years, a total of 5%?

Mr Pathak: No, 5% over the guideline. The guideline was—

Mr Abel: Oh, 5% over the guideline. Okay.

Mr Pathak: Yes, the guideline was 4.6%, and was it 4.4% the year before?

Mr Abel: How many tenants in the buildings that you own are on a fixed income?

Mr Pathak: Quite a few. I see people come to me to rent an apartment and they tell me that they are going to be spending between 50% and 60% of their income on the rents. These are single mothers, and sometimes I look at them and they tell me, "I've budgeted like this and I can manage," and I take them. Sometimes they do not seem to have done their homework and I do not feel that they can manage. But a lot of people in my buildings are single mothers and I also have subsidized units. There are people paying 50% to 60% of their income, and they should not be doing that. They should be subsidized through housing subsidies or something.

Mr Mahoney: More and more, I think, as we have gone around the province, we have seen concerns brought by small independent landlords. Of course government members are admitting that the bill is temporary, which in

a sense is admitting that it really does not solve any of the problems. They are just going to put it in place for a while.

I would like to know if you have analysed it and come up with any answers to the very many problems. The previous presenter outlined five specific areas about costs that are no longer being borne, illegal rents, a number of areas, none of which were addressed by Bill 4. What I have had some trouble grasping is how Bill 4, as temporary and obviously flawed as it is, solves any problems for tenants. I have even asked that of tenant groups who simply have said, "We like the cap." I understand that, but is there anything other than the cap that you have seen that is helpful to tenants?

Mr Pathak: No. Basically, I cannot understand what has been going on. The minister introduced this as temporary, interim legislation, saying that capital expenditures are not going to be recognized. He has then gone on and made different statements, one being that perhaps in the long run we will have to recognize capital expenditure. He has also gone on to make a statement that this committee can change Bill 4 and that this committee will have to recognize legitimate concerns regarding capital projects.

It seems that this bill was introduced without the homework having been done, without landlords being consulted. It has been something that is rushed in to try and show that something is being done, but it is not doing anything for the tenants.

Mr Mahoney: On the side of repairs, you have repairs outstanding, and I would assume you would do repairs to make sure that the security and safety of the tenants and your property is protected. But what is your thought on future repairs? Will you bother under this type of legislation or will you just do the very basic minimum and have the quality of life deteriorate for your tenants?

Mr Pathak: You have got to understand that no matter how you legislate, unless you have got thousands of policing people, you cannot go around policing everything. The bylaws are minimum standards, and you have got to have some sort of a free market for tenants to get the sort of accommodation they want. It is very difficult for landlords if they cannot get increases to go around doing repairs and renovations. It depends on what sort of income they are making.

I have been making \$11,000 a year for the past six years and I have been working very hard at this work. Perhaps I should be on welfare or something, but I really work hard. I have invested a lot of money. I worked hard in England for many years and I came to this place and this province and invested a large sum of money. My father is sitting there, he worked hard all his life, he does not drink, he does not smoke, he has had no vices and I have none. We have invested a large sum of money and we are getting no return on that. We are working hard, and I do not know what is going on.

Mr Mahoney: With that kind of track record, you could be a member of the government. Thank you.

Mr Tilson: Sir, one of the areas that our party has been considering in reviewing is an area that you have raised in your comments, that is the democracy clause with

respect to capital expenditures; in other words, some sort of clause that if the majority of tenants agree to particular capital expenditures and they acknowledge that their rent would go up by a certain percentage, that that be allowed. Have you any more thoughts on that other than what you have told us?

Mr Pathak: Well, there are a lot of ways of doing this, you know. If there was not such a conflict situation—and Bill 4 is a very conflict type of bill—if there was more getting together between landlords and tenants, a lot of problems could be solved. But it always seems that whenever something is done, it brings in a conflict and you do not get together, you do not get the meeting of minds. Of course, even within a building, you will get different people who want different types of improvements. It is a difficult situation, but we work together on it and try to do something.

1410

Mr J. Wilson: Sir, I very much enjoyed your presentation. It takes a lot of courage to come forward and to express some of the views you have.

We threw around in this committee and the hearings in the past few weeks the area of responsibility. It seems to me, as a member of the Legislature, that I bought into the responsibility of being part of a government process, and one of the primary responsibilities of government is to look after the weakest members of society.

I do not think landlords necessarily buy into that when they buy into a building. They may now that the NDP is legislating that. You call it temporary legislation, but I suspect this is just a rollover into your permanent legislation that is coming. But I am interested because I think it is the responsibility of government and not landlords to subsidize low-income people, a tremendous cost, I imagine, to society.

Have you any idea, in the buildings that you have, how many tenants would need a direct subsidy to, say, bring their rent below 30% of their gross income or below 25%, any idea what the cost would be? I think we should be seriously looking at that direction. We should be subsidizing people and not buildings.

Mr Pathak: Yes. I already have some tenants who are subsidized by the Halton Housing Authority, and it may be a large number of people will be affected. Different buildings will have different percentages affected, but that is the way to do it. To have landlords doing the subsidy is wrong. The general community has to subsidize these people.

There are people out there who need help, and whatever it takes, it has to be done. But you do not say to Miracle Food Mart, "You lower your food prices to help these people." It has got to come from the welfare, the unemployment, the family benefits, minimum wages. I do not know where it has got to come from, but it has got to come from those types of things, not out of landlords' pockets.

Mr J. Wilson: I think we would go a certain way towards agreeing with you on that.

Second, I did not totally understand your "imprisonment of tenants" section. Can you briefly cap that?

The Vice-Chair: Very briefly.

Mr Pathak: Well, if tenants have an apartment which is a very low rent then they are trapped there because when they go out to look for another rent on the market, they have to pay so much more. They are imprisoned where they are now. They do not have the mobility.

The Vice-Chair: Thank you, sir. Your time has expired. I would like to mention that the committee deeply appreciates your providing a summary. I am sure all committee members will have a look at your full paper and your full discussion of the issues. Thank you very much.

Mr Pathak: Thank you, sir.

GEORGIAN COURT ESTATES TENANTS ASSOCIATION

The Vice-Chair: The next presenters will be the Georgian Court Estates Tenants Association, represented by Tim Lee. Mr Lee, welcome to the committee. If you would introduce yourself and the organization you represent for the purposes of Hansard, you have 10 minutes for your presentation followed by 10 minutes of questions.

Mr Lee: My name is Tim Lee. I am here representing the tenants of Georgian Court Estates in Burlington, and I will just read for you my prepared text. I made copies and I think you should all have them.

First of all, I would like to thank you for giving us this opportunity to speak to you this afternoon on behalf our association. The proposed legislation and the current freeze have given the tenants of Georgian Court Estates a stay of execution

I live at 681 Marley Road, Burlington, Ontario. The area I live in is a town house/maisonette complex owned by ManuLife Insurance Co, based in Kitchener, Ontario. The complex is known as Georgian Court Estates. It consists of 280 units, a combination of town houses and maisonettes. Rents in our complex are perhaps the best in Burlington, with most residents paying around \$600 for a three-bedroom unit with heat and hydro included. There is also a pool and tennis courts available for the tenants during the summer months.

On the whole, the complex has been relatively well maintained and comfortable during the five years I have lived there. Most minor repairs have been done without too much or too many problems. From the outside it appears to have been a relatively well managed complex. In fact, it may well be a testimony to the fact that rent controls can work. Which is why one might ask, what have these tenants got to complain about? If all had been left as it was, quite frankly there would have been very few, if any, real complaints. However, as you have guessed, or should have, all was not left as it was. In the fall of 1989, the greed bug bit and a massive renovation project was undertaken by ManuLife at a cost in excess of \$6.5 million, and there was no peace left in the kingdom.

Manu Realty took it upon itself to practically rebuild the complex and in so doing paid several thousand dollars in consultation and management fees. At no time was there ever any real attempt to explain to the tenants what was going to be happening or to consult with the tenants as to the necessity of the work being undertaken. This is not to

say there was no attempt, simply that there was no real effort on the part of management to explain to the tenants that the work which was about to take place would be followed by a 62% rent increase, in most cases amounting to an increase of \$400 per month.

Judging by the work that was undertaken and the reckless manner in which it was performed, it seems more than likely that the work was done not out of necessity but rather in order to justify a huge and unnecessary rent increase at the expense of the tenants.

It began in April 1989 when Manu Realty informed us that it would no longer be paying for our cable and would give us a rebate of \$4 per month in order to compensate us for the loss of this service. Cable in Burlington costs \$15.32 for basic service. In effect, what happened left us with an increase of \$12.32 a month in order to maintain the service we were getting before.

Let me give you just a few examples of the types of things that we tenants feel were not needed.

All fences were removed and replaced with new pressure-treated lumber. In some cases the fences replaced were indeed required, being in excess of 20 years old. However, why would fences that were no more than three years old and constructed of pressure-treated lumber be ripped down and replaced with the same type of material yet new? The lumber which was removed was given away to the Mennonites in Kitchener, apparently free of charge.

All patios were removed, regraded and replaced with approximately 150 square feet of paving stones. The two-by-two patio stones were removed and many given away. In addition to this work, the yards that were bigger than 10-by-15 were filled in by old two-by-two stones. Upon examination of the cost revenue statement submitted to the rent review office, it appears that there were \$66,000 worth of two-by-two paving stones used to accomplish this task. We inspected the patios and we found that all of the two-by-two stones that were used were indeed used and were not new.

All windows and storms were removed and replaced with new high-grade aluminum windows and storm doors. The windows that were removed were thrown into the trash bins and destroyed. This alone seems at first to be an acceptable course of events due to the fact that there seems to be little use for used windows. When one looks closer and sees there were many windows replaced that had just been replaced not more than two years earlier, it seems absolutely absurd. We asked the staff at the rent review office about this and we were told that since the landlord had not submitted an earlier request to increase the rent, such a waste was totally acceptable and would not be considered in the present application.

The roofs on all units were removed and replaced with both new sheeting and shingles. Flat roofs were removed and replaced, retarred and regraded. The roofs were quite old and therefore probably due for replacement. My question is, why would all shingles have to be removed and new sheeting have to be applied to all roofs, regardless of the condition of the sheeting underneath?

1420

During the work done on the patios and fences there was considerable damage to the grass in the common areas, resulting in the necessity of extensive replacement of sod to these areas. If there had been a little more care and concern taken during this work, most of which was unnecessary, much of this expense could have been avoided.

Work done in the inside of our homes was extensive, and to a great degree unnecessary. For instance:

All electrical service panels were removed and replaced with new 100-amp circuit-breaker systems. It seems to be a legitimate upgrade until one realizes that what they replaced was a 100-amp service as well. While speaking to the workmen doing this job, it became obvious that this was a total waste of money of approximately \$450 for each unit.

Refrigerators, stoves and dryers were removed and replaced with newer ones. Many of the ones they replaced were less than five years old. They did not need to be replaced at all. Approximate value of the replacements was \$1,200 per unit. All were replaced. Some of the units had no dryers and therefore were not given new ones.

Laundry tubs were removed and replaced. Those which were removed were concrete two-tub systems to be replaced by a single plastic tub which cost about \$15 each.

In all units, kitchen and bathroom corridor floors were replaced with new cushion linoleum, an off-white colour which is next to impossible to keep looking good. The ones they replaced were old, but in many cases the tenants had replaced them already at their own expense. In one case of a bathroom floor that was replaced, the tenant had at his own expense installed ceramic tile on the floor and around the tub enclosure, only to have it ripped out and replaced with inferior linoleum.

All bathtubs were removed and replaced with new ones and walls around the tubs were removed and replaced with ceramic tiles. This, it seems, was a legitimate expense. The one thing that bothers me about this project is the fact that the shower controls that were installed were inferior because the water temperatures can vary so radically that it can be very dangerous. One can be scalded very easily one second and frozen the next.

When the project manager was approached about this, his answer was to retrain your family so that they do not flush the toilet or turn on the water when someone else is in the shower. Had they spent a few less dollars on needless floor repairs and a few more on pressure-controlled shower controls it would have made a much safer and more acceptable upgrade.

All bathroom countertops, sinks and faucets were replaced regardless of the condition of the old one. Perfectly good sinks and countertops were removed and trashed, to be replaced needlessly. The faucets may indeed have needed replacing. However, why should one install shut-off valves under the sink where none existed before? The washerless faucets installed had a 10-year warranty? At first it may seem that these shut-off valves were necessary. However, each unit has its own main shut-off which

always worked in the past, and why not in the future? This indeed seems to be a needless expense.

Kitchen countertops and faucets were replaced regardless of the condition of the previous countertops. In many cases, the old ones were still in good condition and did not need to be replaced.

The door locks, both front and back, were replaced with a deadbolt system. The cost was about \$11 each and have actually fallen apart in my hands. In addition to the fact that the locks that were installed were cheap and easily broken, most units had already installed deadbolt locks on their own homes and provided the management with keys. This new system provided the convenience for the landlord at our expense in providing him with a master key system. That in itself seems legitimate. However, what happens when several dozen contractors are given master keys to the units? How secure can you feel about leaving your homes?

The exterior of the front and back doors was painted, which indeed was needed. However, the paint used was a latex which was put on top of an oil base and therefore would not stick. I spoke to the contractor who did this work and he told me that he advised management of the impending problems; however, was ignored. When the weather-stripping was installed, there was a chemical seal created and the doors could not be opened. As a result of this, the doors had to be repainted and the weather-stripping had to be replaced at considerable expense.

These are but a few of the instances of mismanagement and needless waste and expense which the tenants are being expected to pay for. These renovations were in some cases required; in many others were not. To have rebuilt the entire complex without concern for the necessity was, in our opinion, reckless and irresponsible and we as tenants refused to accept it without a fight.

I would like to share with you some of the things that we think would have prevented the current situation from occurring in the first place.

The Vice-Chair: Perhaps, Mr Lee, you could share with the members as we go through the question time. Ms Poole will start that process.

Mr Duignan: We are willing to waive our party's time.

The Vice-Chair: Fine. The New Democratic caucus has waived their time so you can use their three minutes, if you wish, to continue speaking.

Mr Lee: Our association was formed in reaction to the landlord's application for unjustified rent increases. Had there been an association in existence before this massive project began or was even considered, the tenants would have been much more able to respond and prevent the unnecessary expense. We would encourage the government to require all residential complexes of more than 10 units to have a representative body of tenants in place prior to the approval of any major renovation project that would necessitate an increase above the government guidelines. This body should be funded by a small percentage of the rent paid.

All rents collected by landlords should include a percentage for capital expenditure and major repair work. Individual home owners have to save for repairs to their homes. Why should landlords have a bottomless well from which to draw funds?

No major repair work should be allowed without adequate consultation with tenants and full disclosure of the impact of such renovations on the rents of the tenants involved, prior to any renovation project being started. No increase beyond that which has been presented to the tenants should be allowed.

Common sense and good management practices cannot be legislated. However, the lack of them should not be rewarded by legislation that allows for unjustified rent increases and in effect promotes poor management practices.

Large corporations have millions of dollars to spend on lawyers and consultants to justify and prove their cases. Tenants in most cases are simple, hardworking people trying to make ends meet and quite simply have nowhere near the resources available to them that corporations have. As a result, as such, we face a very unbalanced system. Tenants need access to funding, expertise and resources in order to properly be represented. The government has a responsibility to both landlords and tenants, and therefore cannot act as an independent arbitrator for the benefit of both. Rent review officers should therefore be appointed independent of either party for the effective, impartial decisions to be made.

No rental payments should be made retroactive. If there is a delay in the system because they have an abundance of cases, then the system should be adjusted accordingly. Tenants should not have to live with a razor over their heads, uncertain of a pending increase.

Any increases that are to be accepted should be approved with two months' notice which would give the tenants an opportunity to find other accommodation should their present situation become too expensive.

Finally, I would like to comment on the retroactivity of the current legislation. I have seen some of the proceedings of this committee on television and it seems to me that the most debatable aspect of the current proposal is that of the legislation being retroactive. Is it fair?

To be honest, my first impressions of the retroactivity were that no, it was not fair. However, as I began to think about it, neither is it fair for tenants to be faced with astronomical increases based on unnecessary repairs. Does that mean that two wrongs make a right? Is it fair? No, it is no more fair than legislation that discriminates against a majority for the sake of minority rights. It is no more fair than legislation that gives women and minorities precedence for government jobs. It is no more fair than the minority hiring quotas on our police forces.

Quite frankly, it does not have to be fair; it has to be just. And yes, in this case, two wrongs do make a right. In order to right a wrong that has been allowed for several years, the scales of justice have to be weighted to one side for a period of time.

Thank you for allowing me the time to express our opinions and give you a brief history of our dilemma. If our landlord is given the increase he is asking, three out of

five tenants will have to move from Burlington. I ask you, where are they supposed to go? What can I tell tenants who are senior citizens and single parents who call me, afraid of what will happen to them if they cannot pay? The rents will be increased to \$1,000 per month, beyond the reach of most. If you, like me, earn around \$30,000 a year and bring home maybe \$22,000 after taxes, that would mean that rents of \$12,000 per year will consume in excess of 50% of my income. How do I provide for my wife and two children?

One final question I have is, what will happen at the end of two years when this freeze is over? If the landlord does indeed get his increase, what will happen to those who could not pay to begin with? How are they supposed to pay what will be close to \$10,000? Many of our residents are on fixed incomes and are single-parent families. What will happen to them? Is it fair? Is it just?

1430

Ms Poole: Thank you, Mr Lee, for your presentation. You have given us certainly a lot of food for thought. It would seem to me that a good deal of the first part of your presentation was based on a problem you had with your landlord's rent increases for two reasons: One is, I think you called it, the reckless manner in which the repairs and renovations were done, that the workmanship was shoddy and quite often what was replaced was in better condition than what they replaced it with; the second thing was that a number of the repairs or renovations simply were not necessary and did not take into account how long the previous repair or replacement had been in operation.

I share those concerns with you. But the thing is that Bill 4 will not do anything to correct it. My feeling is that there are some things we could do to correct Bill 4; for instance, if we ensured that work done was necessary and that tenants could use this as a defence. So, for instance, the fence posts that you said were torn out, the bathroom tiles that were needlessly torn out, that could be used as a defence that you should not have to pay for those. Second, that there be a value-for-money provision in the legislation so that you can say, "Yes, but the workmanship was shoddy," and that the results afterwards were worse off than before.

If those two provisions were brought in and if there were, for instance, a cap on the repairs and renovations and replacements in the legislation, do you consider that that might indeed be a better solution than by punishing all landlords, in some case punishing all tenants, by saying that no capital repairs or replacements will take place in the next two years?

Mr Lee: I would think that any legislation that is enacted should include that type of a situation. I understand that there are situations where capital expenditures are required in order to upgrade a building to the point where it becomes safe again.

The thing that really bothers me is when things like our situation are happening. There was one unit in our complex that was burned out two years ago, and it was rebuilt from the inside out; completely renovated and renewed. The same things that were done to every other unit in the

complex were done to this place as well. So things that were no more than two years old were thrown in the garbage for the sake of putting in new things again. I really think that the landlord should be more willing to listen to what tenants are saying. Not all tenants are stupid and we are not there waiting for the landlord to provide us with a place to stay at his expense. We want what is fair and we want what is just.

Ms Poole: One thing you might be interested in is the fact that last April the previous Liberal government did bring in regulations which actually required a landlord to give disclosure to the tenant prior to commencing any work, and this disclosure was to let the tenants know what the cost is and the type of work, how long it was going to take and the inconveniences they would have to suffer. It was going to cover all of that and that might have remedied a situation such as yours where you had virtually no communication with the landlord.

Mr J. Wilson: Sir, I thought it was a very reasonable submission. You make a number of good suggestions there. It is clear that you are not looking for something for nothing, and that your tenants, if they had a reasonable landlord, would and did get along for many years. I am just wondering, do you think your landlord in particular would be willing to sit down? You mentioned having a tenants' organization or some sort of a joint co-operative effort to sit down and to talk about renovations prior to those renovations occurring. In your case, would your landlord be willing to do that, do you think? Because Bill 4 does not talk about co-operation and it does not address this issue, frankly.

Mr Lee: I think in our particular case it probably would not have happened simply because we were dealing with a corporation as opposed to an individual. Corporations tend to be very impersonal and to work from the bottom line and that seems to be the only thing they look at. When some of our tenants actually approached the management company with concerns that they had, they were told, "The problem with you people is that you think these are your homes." They would not deal with us. How are we supposed to deal with that kind of an attitude? There seems to be an us-against-them mentality that does not need to exist.

Mr J. Wilson: I guess that leads to the thought that you need legislation, then, to make people co-operate, and that becomes difficult but not impossible if landlords are forced to sit down with tenants and vice versa prior to renovations being made. You would support that, I suppose, because in your case, your landlord would not voluntarily do that.

Mr Lee: Yes, I would support that.

Mr J. Wilson: It seems to us that Bill 4 does not address that and that Bill 4 will lead to more of these games that your landlord has clearly been up to in the last little while. Dave may have one final question.

Mr Tilson: Just to carry on with that, I think that is our major concern with Bill 4. The legislation that seems to be coming forward from the government is a very confrontational type of legislation. It is either pro-landlord or

pro-tenant, and I was encouraged to hear your remarks on the—you may have heard me asking the previous speaker—democracy clause. That is something that I think that our party will be pursuing, and I was most encouraged by your thoughts in that area as to encouraging tenants to participate and what expenditures should be made.

I guess I have one question, having said that. Should there be any repairs encouraged by the government? In other words, there are obviously, for example, roofs. Tenants, if you used the democracy clause, technically, I suppose, they outvote repairing roofs.

Mr Lee: I think the same standards that are in existence for the landlords, such as the Residential Rental Standards Board, which says how well a unit should be maintained, should also apply to tenants. So in that sense, I do not think tenants would be able to veto a roof that needed to be repaired.

Mr Tilson: If the government were suggesting some sort of an amendment, which we will be doing, the democracy clause, and then following along with perhaps the government standards clause that certain minimum standards must be met, you and your group would be content with that type of amendment?

Mr Lee: Yes, we would. Even with the increase that was proposed at 62%, everybody was expecting an increase, but not at 62%.

Mr Tilson: Yes.

Mr Lee: We would probably have been able to swallow even a 30% increase.

Mr Tilson: You were not consulted at all, then?

Mr Lee: Not at all.

DENNIS LATTANZI AND ED LATTANZI

The Vice-Chair: The next presentation will be made by Dennis and Ed Lattanzi. Good afternoon, gentlemen. Welcome to the committee. You have been here for a few minutes, I think, and you have seen the way the committee operates. You have 10 minutes to make your presentation, followed by 10 minutes of discussion with the committee. If you will begin by introducing yourselves for the purposes of Hansard, then you can begin your 10 minutes any time.

Mr D. Lattanzi: My name is Dennis Lattanzi and with me is my brother, Ed. He is also an investor in our building. I am a landlord. I am an engineering technologist and also a landlord. I am here before you to discuss the repercussions of Bill 4 as it directly affects me and the associates of our investment group.

Approximately two years ago we purchased a 40-unit apartment building in Oakville. All tenant investors are first-time buyers, and we are all middle-class Canadians. Please allow me to explain the effects of this bill in two sections: foremost, how it directly affects our investment, and second, its effects on me and my associates personally. I would like to begin by discussing the condition of our investment prior to the announcement of Bill 4, its immediate effects, and undoubtedly its future consequences.

Prior to the purchase of this building, we studied and understood the financial structure of our investment and

what was essential to make it successful over a period of five to 10 years. In June 1989 we invested our hard-earned money in good faith with guidelines set forth by the previous Liberal government. We arranged the best possible financing at that time, and realized that we would incur financial losses for the first four years.

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After applying under the Residential Rent Regulation Act, 1986, we were granted 5% phase-in increases over the guideline for the next four years to recoup some of our financial losses. To summarize, given the above, we felt we had a secure investment.

On 28 November 1990 the NDP government announced its amendment to the Residential Rent Regulation Act, 1986. Its effects were immediate and devastating. The following are directly related to this bill:

A. The ability to negotiate any refinancing of existing mortgages has been eliminated due to retroactively voiding phase-in increases that were previously approved. In fact, we had received preliminary approval of some refinancing prior to the announcement of Bill 4. The loss of positive cash-flow directly resulted in the denial of our application. In doing so, our financial institution also expresses concerns over this bill's negative effects, namely the devaluation of rental stock.

B. The possibility of selling our building at a reasonable price or, in fact, a reasonable loss, has become impossible. Bill 4 has sent out a signal to all potential investors to beware of rental housing. Lack of investor confidence in any industry spells nothing more than certain disaster.

C. All planned necessary renovations have been suspended indefinitely. This building is 27 years old. The need of structural repair to our underground parking facility caused by salt damage was first on our list of priorities. Another was the resurfacing of the asphalt driveway and parking lot. Bill 4 will not recognize any rent increases for capital expenditures, therefore our decision to suspend. It is in the tenant's and landlord's best interests to have a well-maintained housing facility.

I would like to add, just as a point of interest, that soon after the purchase of our building, we spent \$8,000 in renovations to our lobby and hallways. We decided to absorb this cost rather than to apply for another rent increase.

Should this bill be passed in its present form, the result will unquestionably lead to our financial bankruptcy. The consequences described previously will be permanent. In fact, our losses will only compound. In 1990 alone, this building lost \$40,000 in operating expenses. And if you factor in the following, I am positive it will prove my point.

A. The voidance of previously approved phase-in increases means that a projected loss of four years will now become infinite.

B. Retroactive to 1 October 1990, all previously collected rents above the proposed 4.6% guideline are to be returned. How do you pay back funds when you are operating at a loss? As an investor, you have to consider the worst possible scenarios. In our case, should any sudden and necessary replacements occur in the range of tens of thousands of dollars, we simply have no place to turn for

financial assistance. An example of this would be the replacement of the roof.

When the 10 of us sat down and considered what I have just mentioned, it was quite evident that we are painted into a corner. As there is no incentive to continue operating at a loss, the only decision we face is: When do we walk away? In fact, all of us mortgaged our homes to enter into this endeavour. It will certainly mean that their sale is imminent in order to repay our debts. As first-time investors, I would like to think that we represent the future stock of businessmen in this province. As middle-class Canadians, we knew it was hard work that got us here.

I wish I could describe to you how incredibly disheartened the 10 of us have become. This government is on the verge of destroying the spirit of future entrepreneurs. I know I speak for the nine others when I say that the scars remaining from this horrible experience will be long felt and not soon forgotten or forgiven.

In my heart, I am certain that the predicaments facing us would have been much easier to accept if it strictly involved our poor judgement. Ironically, the opposite is true. The NDP's shortsighted ideology is about to enforce legislation that will lead to our certain ruin.

To this point I have spoken to Bill 4 and its effects on me and my fellow associates. I suppose it would be unfair not to mention the true intentions of this bill, the protection of tenants from high and unjust increases.

I do not think you can find anyone with any sort of decency, whether they are landlords or not, who would defend abusers, but it is just as unfair to penalize everyone for the actions of a few. I fail to see how the repossession of our building by a financial institution will serve the best interest of the tenants. The reduction of services can only lead to deteriorating living conditions, not to mention the loss of the landlord-tenant relationship. If this government is determined to protect tenants, then let it protect those who truly need assistance. It is unfair to protect all tenants at the expense of the landlord.

I can only plead to this committee and to the NDP government to reconsider the unfair, damaging, retroactive aspects of this bill. Thank you for allowing me the opportunity to speak in regard to this important issue.

Just as a point of interest, I put down the address of our building in the bottom left-hand corner strictly for the committee. I would prefer that it be left only with the committee. We are still hopeful that we can get some financing to make our way through this difficult bill, but if you keep it to yourselves, I would really appreciate it.

Mr Tilson: Before becoming Premier, the Premier made a statement on the question of who should have the majority of the ownership of the housing stock in Ontario. A specific question was directed to him as to whether Ontario should follow the Swedish model, where there is a very small percentage of private ownership, and he stated in response to that question: "Yes, that makes a lot of sense to me. What we want to try to do is to eliminate the unproductive speculative element in the economy as much as we possibly can. My model would be one where you have a very substantial non-profit rental sector which would be

dominant." In other words, the government owns the housing stock. What is your thought on that philosophy?

Mr D. Lattanzi: I feel that basically, as far as the industry goes, it would be totally destroyed.

Mr Tilson: Could the taxpayer bear the brunt of that?

Mr E. Lattanzi: I can answer that. Absolutely not. We have to look at who the consumers are, and if we are asking for the general tax base to pay for this it would be ridiculous. You have to go to the consumer. It is a service we are providing and must be paid for by the consumer. It is not fair for anyone who owns their own home or is living anywhere other than an apartment to have to pay for other people's living. It strictly is not fair.

Mr J. Wilson: You have hit right on it when you said the NDP is a victim of its own ideology here. We cannot seem to convince them that they either have to be straight with the public and say, "Look, the government is going to own housing in this province from now on," that they are going to buy people like you out and incur the losses—I do not think we are being forthright and honest here in the sense of this bill, because it mucks around.

Mr E. Lattanzi: If the government is willing to purchase our building, we will give it a bargain price and let it carry it and absorb the losses, if it feels we are being unfair to our tenants. We welcome an offer from the government to purchase our unit.

[Interruption]

Mr E. Lattanzi: You can speak when it is your turn.

Mr D. Lattanzi: We do not have any problem with the government looking to better the legislation or having rental housing or anything else in its intentions, but the retroactive part of this bill is just going to kill us. We are dead in the water. We could not plan for it. There is no way we could set our sights on something like this. We sat down for years before we decided to enter into this endeavour, and in a matter of two years we are history. We are going to have to sell our homes and pay back whatever we can and walk away. We would like to hold on to the building, but if this bill goes through as it is, we are just going to constantly keep losing money, so we are going to have to walk away.

Ms Harrington: First, I want to clear up something we were just hearing here, that is, the future of rental housing in this province. I would like to assure you and everyone else that there is going to be room for private and public ownership of rental housing. It is a partnership. It is very important to have good units out there in this province, and that is why we want to work with you.

Let me just go back a minute. I think you may have realized from some of the presentations we have already heard that the system that was in place—you have only been landlords for a fairly short time, I gather—turned out to be a bottomless pit for landlords, as the previous presenter mentioned what was happening.

Mr D. Lattanzi: As I mentioned in my speech, I do not want to defend anyone abusing the system whatsoever. They should be penalized to the full extent, but we have done nothing wrong and you are penalizing me.

Ms Harrington: I understand that. The system also promoted poor management, and I think what we have to look at now, with you, is a system. We need a system that will have proper maintenance as part of the rent. You understand that, that the rent is paid for ongoing maintenance. We also have to have a system that includes some capital cost expenses, we realize that.

Mr E. Lattanzi: We are not saying that the current system is a perfect system by any means. However, retroactively voiding what has happened in the past and monies that have been paid out and committed, and taking that and basically ripping up a contract is not the answer, is not the way to proceed with changing the system. The system must be changed with foresight, not with hindsight.

Ms Harrington: We are looking ahead—

Mr E. Lattanzi: You are looking ahead, but you are taking away what has happened.

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Ms Harrington: Let me just conclude, then, by saying that I believe, and I hope it is true for everyone, that real estate investment in this province is a very good investment and always will be. It has its ups and downs but long-term, hang in there.

Mr E. Lattanzi: That is the point. We cannot hang in there.

Ms Harrington: I understand you have had some personal hardship. I would like to have you also understand that there are very many tenants who have very many personal hardships.

Mr E. Lattanzi: We understand that point. We have said that we understand that point.

Ms Harrington: The last thing you mentioned was two years, that you will want to get through this period of two years.

Mr E. Lattanzi: It is impossible for us to last two years.

Ms Harrington: We would like to do it in six months for you.

Mr E. Lattanzi: Six months is impossible.

Mr Mahoney: I will be brief, because Ms Poole has a question as well.

The Housing Minister, Mr Cooke, announced that he was going to create 20,000 new non-profit housing units. I guess you did not expect that they were going to be yours. I would suggest to you that the government does not want to buy your building. They want you to walk away, and they will just pick up the pieces. I really believe that that is part of their mentality.

Could you give us some details on the impact of the retroactivity, from the point of view of moneys you have outlaid that you will not be able to recoup?

Mr E. Lattanzi: We are in the process of getting more financing to pay property taxes. That was our sole reason for refinancing at this point in time, to pick up some arrears.

Mr Mahoney: Increases in property taxes?

Mr E. Lattanzi: Property tax payments, one payment based on 1989 and 1990 property taxes.

Mr Mahoney: So your main problem is not repairs or conditional orders, it is refinancing.

Mr E. Lattanzi: However, our building is 27 years old. We have an underground parking lot which has salt damage to the concrete; the reinforcing iron bar is starting to become seen in some portions. We can see future capital costs on this particular building. It is 27 years old.

Ms Poole: Thank you for your presentation today. The government members have said time and again that you are not to be concerned because: "This is interim legislation, this is temporary legislation, therefore we don't have to worry about whether it's fair. There'll be something fair coming down the pipe." Does that make you feel any better?

Mr E. Lattanzi: Absolutely not. If we are talking about making something fair, if the government wishes to change something let it give a date when that change will be effected. Give us a chance. Making things retroactive—my money is spent. That is like buying an RRSP and finding out six months later that instead of earning 10% on your RRSP, you are in fact earning 3%. What do you do?

Ms Poole: A person wrote me this week and gave me an analogy which I thought was particularly appropriate. He said: "We came into the ball game and then when we were in the middle of the game we found that the rules had changed. And not only did the rules change, with the retroactivity we found out that we had struck out before we even got to bat."

Mr E. Lattanzi: Absolutely. You have lost the game.

Ms Poole: That is the concern I have, that there will be no confidence left in the housing market to go to a year or two from now.

Mr E. Lattanzi: I believe this government is sending out a clear message, not only within this industry but to all industry, that it is not to be trusted, that this government can, at will, change existing laws and make them retroactive. The message is quite clear to the business community.

Mr D. Lattanzi: We can only hope, also, that if we do try to hold on to this building, even in the state we are in, which we will try to do, if we receive any type of exorbitant capital expenditures we have to perform on this building—it is just unbelievable. We cannot even conceive. We are only praying that nothing goes wrong with this building that is going to cost us a lot of money, because we just do not have the funds.

The Vice-Chair: Thank you, gentlemen.

ITALO GALLACE

The Vice-Chair: Our next presenter is Italo Gallace. Good afternoon. If you would identify yourself for the purposes of Hansard and then begin your presentation, you have 10 minutes to make a presentation, followed by 10 minutes of questioning from the committee.

Mr Gallace: My name is Italo Gallace. I am here today on my own behalf and as a member of a group of people who pooled their life savings to purchase a residential

apartment building in our neighbourhood. I act as a property manager and some of the other people look after plumbing, plastering, painting and other maintenance problems in order to run the building as economically as possible.

When Bill 4 was first announced I reassured a number of concerned individuals that this, after all, was an NDP government, which has a terrific history of being fair and just, thus any new legislation would also be fair and just to everyone. Now, however, we find out otherwise. Bill 4 is to limit rent increases to 5.4% for 1991, regardless of the consequences, and fairness and justice do not seem to really matter.

Let me go back in time two years so we can all understand the predicament of many property owners as a direct result of Bill 4.

Scenario 1: A group of ordinary people, some of whom are here today, and most of them construction workers, some of them construction labourers, decided to purchase an apartment building. Being careful individuals who had to use their life savings, advice was sought from accountants and lawyers regarding the implications of investing in an apartment building. Two main items were clearly understood:

Item 1: It was the law of Ontario that 5% per year rent increase above the guideline could be charged if a detailed rent review application, scrutinized by the rent review services and the tenants, showed a loss. Any loss above 5% would be the responsibility of the owners and would be lost for ever.

Item 2: It was the law of Ontario that if a building needs work, ie, capital expenditures, one is allowed to recoup these costs not in one big rent increase, but the increase is amortized between five and 20 years, depending on the item.

On this basis, and on this basis only, nine average working people pooled their resources and purchased a 95-unit apartment building, investing \$900,000 of their own funds. All calculations showed a loss in year 1 of over \$100,000, a loss in year 2 of about \$60,000, a loss in year 3 of about \$20,000 and a break-even position in year 4. It was hoped that this could eventually become a long-term retirement investment.

Enter Bill 4, and through its magical retroactivity it suddenly changed a careful and well-thought-out investment for retirement into a very real nightmare for all nine of us. This building shall now lose \$100,000 per year, year after year, and shall not reach a break-even point for at least 20 years. I ask you, where are these individuals going to get the funds to continuously feed this building? Are we now sentenced to work for the rest of our lives so that all tenants, regardless of income, can be continuously subsidized? Nor can we simply walk away and lose our life savings, for the mortgages on the building are personally guaranteed and we are responsible regardless of what we do. Because of the retroactivity of Bill 4, it seems that the only way out is personal bankruptcy. Our only crime was to believe and invest in Ontario in 1989. How can you justify this to us? How can you justify this to yourselves?

Scenario 2: Three small contractors again pooled their resources and purchased a 70-year-old apartment building in Toronto, purchase date 18 April 1989, at \$45,000 per unit—in Toronto a very good deal—times 40 units for \$1.8 million; first mortgage of \$900,000 due in 1994 and a vendor-take-back second mortgage of \$525,000 due in April 1992. Again, it was projected that the building would lose about \$40,000 the first year and would break even during the third year.

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These contractors also knew that all systems were 70 years old and it would be a long-term project to carry out renovations for a number of years. I was asked to manage the building and look after all rent review matters. A request form was distributed—copies are attached—and the following is a summary of events.

1. On 28 April 1990 a letter was circulated to all the tenants. Please read the sample letters at the back of my presentation.

2. By 15 May 1990, 27 out of 40 tenants replied. Plans were made, funds were secured and contracts signed to carry out the needed work.

Between 1 June and 23 June 1990 the roof was restored, the windows were replaced, the exterior doors replaced and only some work requested by tenants on the attached forms was done, for a cost of \$85,000. As you can see, these are not exactly luxury renovations.

A rent review application for 22% was submitted on 29 June 1990, with a first increase date of 1 October 1990. Present rents average \$400 per month, with parking.

Enter Bill 4 again and you know the rest of the story. The application is no longer valid. Bill 4 magically goes back in time, even though the renovations were done and paid for long before an election was even called. Thus, these unscrupulous individuals who go around fixing up 70-year-old apartment buildings are left with the following predicaments.

1. Continue to somehow come up with \$3,000 or more shortfall month after month, knowing full well that no one is going to finance this building for the \$525,000 second mortgage due in April 1992, and thus lose it then, or give up the building now and (a) lose all original investment, in most cases one's life's earnings and (b) lose the money spent on renovations and (c) lose the house and anything else one may have had since the borrowed money had to be personally guaranteed. Either way, we are looking at individuals who, after a lifetime of continuous hard work, are going to be left in total financial ruin.

At this point I would like to ask every member of this committee, how would you feel if you all started a job which clearly stated that pay is going to take place every two weeks, and after working and earning the two weeks' pay you go to the office and find the following note: "New boss, new rules. All pays due on Thursdays are ready; all pays due on Fridays are cancelled"? I ask you, how would you feel? I ask you, what would you do? I am sure that every one of you would expect to get paid, whether payday is Thursday or Friday.

Then it is only fair, it is only right and it is only just that the justified rent increases should be given and it does

not matter whether they take place on 1 September or 1 October. The work was done. Our new boss has no right to cancel the justified increases with a stroke of a pen. Just as you need your two weeks' pay to feed your family and pay your bills, so do property owners need the increases to pay their commitments, which cannot be washed away with a simple stroke of a pen.

The magical retroactivity of Bill 4 is going to box a significant number of individuals into a catch-22 scenario. Since, unlike Bill 4, they cannot go back in time and unbuy these apartment buildings, they are either to go bankrupt now or to go bankrupt later.

If Bill 4 is passed without amendments, knowing full well of the disastrous consequences, then do not be surprised at the ill will and bitterness that Mr Rae and Mr Cooke are going to create. A law that is surely to destroy people and their families is not only a bad law, it is not only an unfair law, it is not only an unjust law, it is above all an evil law. It is retroactivity that makes Bill 4 unfair. It is retroactivity that makes Bill 4 unjust. It is retroactivity that makes Bill 4 illegal. It is retroactivity that makes Bill 4 evil, and it cannot be solved with a simple amendment. Bill 4 is to apply to apartments purchased under Bill 4.

I had prepared a totally different ending to this presentation until I read the article by Daniel Girard on 24 January 1991 in the *Toronto Star*. I would like to quote from the article.

"Cooke said Bill 4, which is being reviewed by a committee of MPPs, is open for change and will have to recognize the legitimate concerns landlords have regarding legitimate capital projects. If the final legislation was going to be exactly like Bill 4, then we would not be going through the whole review process," which means that this committee has a great opportunity and a great responsibility to delete the retroactivity of Bill 4 and stop all its devastating results. Help make Bill 4 fair, help make Bill 4 just and you shall have our full co-operation in developing and implementing future housing legislation which shall benefit all of Ontario's citizens in the short term and in the long term. Thank you.

Mr Duignan: I was wondering how many rental increases you have had over the last four years.

Mr Gallace: These buildings have been in our possession and our management for two years, sir, since 1989.

Mr Duignan: What rent increases have you had?

Mr Gallace: The first increase was 9.6%. There was no second increase. Everything is now pending and unfortunately frozen it seems.

Mr Duignan: What about your other buildings?

Mr. Gallace: My other buildings? I do not believe that any buildings that I personally am involved in has any increase over 12%.

Mr Duignan: Over 12%?

Mr Gallace: Nothing over 12%.

Mr Duignan: That was an average over the last four years?

Mr Gallace: I do not think I have owned buildings that long. Maybe three years was the longest one.

Mr Duignan: How do you expect your tenants to afford that type of increase when you consider that an average raise in pay is only about 5%, if that?

Mr Gallace: Well, sir, I am not advocating that tenants who need help should not be helped, but please do not do it on my back.

Mr Duignan: Well, I am talking about all tenants. How do you expect the tenants to pay an average annual increase of 12% a year?

Mr Gallace: The best way to help a tenant, sir, is to help him buy a house. There should be some kind of avenue where tenants should be able to own their own units. I see absolutely no reason why tenants should not own their own units. That is their future investment. Basically, they will become self-sufficient. They will look after their own units. They will conserve energy. Help the tenants own their own units, apartments, town houses or otherwise.

Mr Duignan: So you then believe that the tenants' apartments are not their own homes.

Mr Gallace: They are their own homes, but they become temporary if they move out.

Mr Duignan: In a lot of cases it is not temporary; it is their home and it is their home for their lives, so I am asking you, how do you expect the tenant to afford a 12% increase each year?

Mr Gallace: Well, sir, I am asking you, how do you expect me to make up a \$100,000 loss every year? Am I to go broke because the government refuses to help the tenants who need help?

Mr Duignan: No, we are not. That is why we are advocating building—

Mr Gallace: Then please do it. Do not do it on my back.

Mr Duignan: —co-operative, non-profit housing. But I am asking you again, how do you expect tenants to pick up a 12% increase each year?

Mr Gallace: The tenants will pay for the 12% by basically having the government do something sensible. The tenants who need assistance, the tenants for whom that is over 30% of their income—have a look at that. There are ways to raise money. You know, when a building is purchased, the government takes 1.5% of the purchase price in land transfer tax. Some of the buildings, like this one was—the government took \$30,000. Where did the money go? That should go to the tenants to help the people who need help.

Mr Duignan: So you are advocating a system of landlord welfare.

Mr Gallace: For the people who need it, anybody over 30%, sir. The people who need it. Since when are tenants so special?

Mr Duignan: What about renovations? Who gets the benefit of the building when you sell it, the landlords or the tenants?

Mr Gallace: Like the previous individual who was here, you, sir, and the government are more than happy to

come buy a building for the price that I paid three years ago.

Mr Duignan: You still did not answer the question. When you improve a building, you also increase the value of that building.

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Mr Gallace: You do not, sir.

Mr Duignan: Yes, you do.

Mr Gallace: You do not, sir.

Mr Duignan: Yes, you do.

Mr Gallace: That is because you do not understand the value of apartment buildings.

Mr Tilson: This is a public hearing. This is not a cross-examination and I resent Mr Duignan simply repeating the question over and over when this witness has answered the questions. It is not a cross-examination, it is a hearing.

Mr Duignan: On that, Mr Chairman, I do not want to get into debate on a point of order, but Mr Tilson cannot ask a certain question a certain way as well. I wanted an answer to that particular question and I have a right to ask that question.

Mr Mahoney: He gave you an answer.

Mr Tilson: He answered it, answered it a couple of times.

Mr Mahoney: You will not take yes for an answer.

Mr Owens: Well, we will remember that, David.

The Vice-Chair: Order. Mr Mahoney.

Mr Mahoney: Thank you, Mr Chair. You can see the frustration by the way that we are feeling and it is coming through loud and clear.

I would like to deal specifically, sir, with your suggested amendment. You have suggested that Bill 4 apply only to apartments that are purchased by a landlord under Bill 4. How would you feel about, as opposed to that, that Bill 4 rules apply from the date that the announcement was made, which is 28 November, and that everything prior to 28 November be treated under the legislation that existed at the time?

Mr Gallace: Well, that is quite an improvement, sir, except that unfortunately, as you know, some people had purchased buildings at that time with—

Mr Mahoney: Since that time?

Mr Gallace: Definitely. If you buy a building, you do not close the deal in one day. You usually buy a building and you close the deal 60 days later or so. So even in that announcement, some buildings were in the process of being closed, and if you do not close it, you get sued, simple as that. You had no choice but to proceed and close the transaction.

Mr Mahoney: There may be some way of looking at deals that have been purchased and entered into agreements and not closed, but I have some difficulty with simply saying that you tie it to the purchase, whereas it really should be that anybody who entered into a purchase agreement after the 28 November announcement should have

his head read; I would suspect. I personally would not have a lot of sympathy for anyone who made that error knowingly, but I think that if it was done after the 28th, notwithstanding the purchase agreement—that perhaps could be worked out—it would be more fair.

Have you met with a lawyer on this issue?

Mr Gallace: I do not think you have much of a choice. If the legislation proceeds, all we can do is go to court. I believe that Bill 4, the retroactive aspect, is quite illegal. It is quite an example to set for a new NDP government. It is unfortunate, though, that I myself have been a long-time NDP supporter including, unfortunately, the last election.

Mr Mahoney: I gathered that from your second paragraph. Oh, well, we all make mistakes. Some are a little more serious than others.

Mr Gallace: Some more than others, yes.

Mr Mahoney: I think this is great, that a fellow who admits openly—I have not met too many—that he voted for the NDP and now this is how it is paying him back. I want to thank you for coming because I think you are putting a face on this that is not of the large corporation that the government seems to want to stress and the numbered corporation where you cannot find the individual. You have put a very real face and a very good story to this, as you call it, evil legislation.

We have had tenant groups come before us, some of which seem to have rehearsed with government members, and sing the praises of Bill 4, and yet when you ask them if they can tell us how Bill 4 helps them either in effecting repairs that they have been trying to get done or in any way other than putting a cap on, we cannot seem to get an answer. Is there anything in this self-admitted temporary legislation that you can see that benefits tenants, other than a cap?

Mr Gallace: Bill 4 is something that the government is happy with, I guess, or it is looking for some reason to rethink the whole situation. It should not take more than three or six months. Everything is on hold. Every single thing is on hold until people know which way to go. You cannot even go to the bank and get a loan, because they laugh in your face, "To do what?"

The sooner Bill 4 is known, and the legislation and the rules and regulations, the sooner people can either walk away and just go broke or at least try to manage somehow, especially if it is retroactive. Because there is just no doubt about it—a large number of people are going to go bankrupt if Bill 4 is made retroactive.

Mr Tilson: As a result of Bill 4, have there been specific plans for renovations or repairs that you have delayed or indeed cancelled?

Mr Gallace: For repairs, you have no choice but to do them. If a roof leaks, you go up there and throw on a pail of tar. What else can you do? You cannot get the money. You do not have the money. The buildings are losing money. What are you supposed to do? Everything, everything is on hold.

Mr Tilson: Are there any specific capital expenditures that you had planned on making that you are—

Mr Gallace: Yes. On the 70-year-old building, plumbing and electrical was planned for, obviously, 1991.

Mr Tilson: How much money was in that?

Mr Gallace: You replace all the plumbing and basically all the electrical. I think I projected about \$120,000.

Mr Tilson: Yes. Anything else?

Mr Gallace: Well, on a 70-year-old building, you do one step at a time. You have not got the money. Just like the windows and the roof were replaced first, then the doors. You replace step by step.

Mr Tilson: The Toronto Star this past weekend wrote two major articles on Saturday and Sunday concerning what restrictive rent controls, such as Bill 4, have done to the city of New York. Do you believe that can happen in the province of Ontario?

Mr Gallace: It will not take long.

Mr Tilson: How long?

Mr Gallace: If Bill 4 remains, I would say in five to 10 years you are going to basically be seeing that the only owners of apartment buildings are going to be institutions. They cannot run a building like we run a building. It costs us 25 cents to change a washer. It will cost anybody else \$25 to send a plumber. We do the work ourselves. It cannot be done any cheaper.

Mr J. Wilson: I think it is a very good presentation also, and I just pick up on Mr Mahoney's line that your second paragraph was based on the premise that the NDP have a terrific history, in a sense a track record, of being fair and just. I will just remind you, this is the first time they have been in government, had the responsibility of making these decisions, and I think we have heard from a number of people that it certainly is not fair and just in the approach they have taken to Bill 4.

Just to get a final handle, obviously retroactivity is something you detest in this bill. Is your bottom line that you would like to see Bill 4 scrapped and some other system brought in, or where do you think we should go if you could ever convince the government to scrap Bill 4?

Mr Gallace: If Bill 4 can be scrapped, and I am not saying that it should, but it should be very quickly done over, a three-month period at the most. I would like to continue to support the NDP, I really would. I voted always NDP. I think maybe it is their first time in power; they got a little bit carried away with it.

Eventually, I expect that Bill 4 will be fair and it will be just. I believe that there should be a penalty for people who go around and do not manage their buildings properly. Yes, there should be a penalty for people who go about selling and buying apartment buildings every six months. If you can, simply put a tax on it and prevent the flip. Put a 100% tax on, if that is what you like, and send that money to the tenants, the people who need it.

You must allow for capital expenditures. You should perhaps allow the tenants to have a say in their own units, but do not tell me you are going to have the tenants tell me whether the roof leaks. The person on the top floor is very

concerned; the person on the bottom floor could not care less.

Mr J. Wilson: Well, sir, I think what I am trying to get through is opposed to NDP ideology.

The Vice-Chair: Thank you, sir. We appreciated your presentation very much. You might note you evoked some very spirited questioning.

1520

JEROME SAWCHYN

The Vice-Chair: The next presentation will be from Jerome Sawchyn. Good afternoon, sir. If you would like to introduce yourself for the purpose of Hansard and any organization you might represent and then proceed for 10 minutes with your presentation.

Mr Sawchyn: My name is Jerry Sawchyn. I have been a rent review consultant for almost 10 years. I would like to give the committee details of an ordinary rent review application, typical of thousands, which attracts no attention because there are no sensational aspects to it, such as the now almost mythical marble lobby. This is the silent majority of rent review applications. The subject building contains 36 one-bedroom units situated on a clean residential street in Hamilton. It is not a luxury building but provides decently maintained, affordable housing.

An order dated 11 October 1990 was issued in which the first effective rent increase date was 1 October 1990. The order granted a 9.33% increase for an extraordinary 12.6% municipal tax increase and the following major capital expenditures: a new roof, parking lot paving, counter tops, retiling bathroom walls. The justified total increase can be broken down as follows: operating cost allowance, 3.6%; extraordinary tax increase, 1.4%; capital expenditure allowance, 4.3%. Without Hamilton's tax increase the overall increase would have been 8%.

The capital expenditures are hardly luxury renovations and represent the type of costs associated with the normal aging of an apartment building. This building did not experience ongoing deliberate neglect, which is just a red herring, but was well maintained over the years. No matter how high the level of regular annual maintenance, eventually roofs, appliances, parking lots, etc. wear out and structural components of buildings deteriorate.

Before the ordered increase, the rents ranged from \$292 to \$364 a month for identical one-bedroom apartments. Such a level of rents can still be found in the Hamilton area. After applying the justified rent increase, the rents ranged from \$320 to \$398 a month. I find it very difficult to label the resulting rents an outrageous ripoff of the tenants.

I give the following additional facts relating to this rent review application: The capital expenditures were completed in May 1990 before an election was even contemplated. The application, with supporting material, was filed on 21 June 1990 in compliance with the current act before announcement of an election campaign. An order dated 11 October 1990 setting rents beginning on 1 October was issued well before the minister's 28 November announcement.

Using the first effective increase date as the criterion for the retroactive applicability of Bill 4 is grossly unfair since it penalizes applicants who acted lawfully and in good faith before an election was even contemplated. Bill 4, if passed as is, would gratuitously kill this existing order along with all other orders issued for a 1 October 1990 first increase date. The proposed bill would then reduce the rents back to the guideline increase, notwithstanding the lawful conduct of the applicant, who had no idea what the future held in store for him.

It is as if a court rendered a judgement, but then six months later the judge said, "I'm sorry, I'm cancelling the original order and giving you a judgement for a lower amount." Such treatment is arbitrary, unconscionable and cannot be justified by any appeal to fairness. Such treatment is a complete perversion of the very meaning of the word "fairness."

A minimum argument for fairness, and I stress the word "minimum," may be made if the criterion for the retroactive provisions of Bill 4 were made to apply to applications filed on or after 1 October 1990 and not to rent increases taking effect on that date. For the government to counter that this would allow another three months of applications to be ordered under the Residential Rent Regulation Act, 1986, is not an argument for fairness, but a clear indication of the government's vindictive determination to entrap as many applicants as possible. There is no way a case can be made for fairness where an applicant acted innocently before the election, received and is in possession of a valid order, which as of today can still be enforced, but which will be declared void when Bill 4 as currently drafted is passed.

One small point: Bill 4 would continue magnifying the spread of \$78 between the highest rent of apartment 202 and the lowest rent of apartment 406, which are identical one-bedroom units. Why is it fair to perpetuate this situation? How will Bill 4 protect the tenant of apartment 202?

It has been said that in politics perception is everything, and since much of what the committee has heard is based on perception of the rental housing industry in Ontario and not facts, I make no apologies for the ensuing observations.

For the past 15 years, rent review in Ontario has been based on the cost pass-through principle. In broad terms, cost increases have been allowed to be compensated by rent increases, so that the financial position of a positive cash flow building theoretically remains stable. The government appears to have jettisoned this principle in favour of a system of strict rent control. This conclusion is inexorable based on a reading of the party's manifesto, *An Agenda for People*, which I take literally, on statements made by the Minister of Housing and on the contents of the famous or infamous interview the Premier gave to the Federation of Metro Tenants' Associations.

An Agenda for People states in part that, "Tenants have spent the last three years fighting a rent review system that gives to landlords with both hands." To me that is a nonsensical generalization. "Landlords who neglect maintenance are rewarded under a system that passes costs on to tenants. This is interesting. How can neglected maintenance

be passed on as a cost to tenants?" There would be no extra bonuses to landlords for capital or financing costs."

The minister has said to the committee, "We must move away from a system of rent review which offers the ability to pass through expenses to a system of rent control which will offer real protection for tenants." The Premier in the above interview stated he would "make it less profitable for people to own apartments. I would bring in a very rigid, tough system of rent review." Bill 4 will achieve the above objectives, with the exception of "real protection for tenants."

What does the bill actually do? Basically, it limits increases to existing rents with their inequities to 5.4% for 1991. This is trumpeted as a panacea for protecting tenants and providing for affordable rental housing for those genuinely needing it. However, the simplistic restriction of rent increases to a fixed annual guideline, with a few minor exceptions, does not physically create affordable housing, or any other type of rental housing for that matter. It does not make available to lower-income tenants those low-rent apartments hogged by high-income tenants.

Furthermore, since rents in Ontario span a wide range, from dirt cheap at one end to very high at the other end, Bill 4 merely ensures that a tenant paying a relatively high rent of \$1,000 pays a \$54 increase, while his more fortunate counterpart pays a \$22 increase on a rent of \$400. I leave it to the government to justify the hype relating to real tenant protection in connection with rents which are already high before any increase and which just keep getting proportionately higher through guideline increases.

The government's stock response to criticism of Bill 4 is to point out that it is interim legislation applicable until a new permanent rent control regime is legislated. Given the government's antipathy to the cost pass-through principle, its intense dislike of the Residential Rent Regulation Act, 1986, and its ideological stance towards private ownership of rental housing, there is absolutely no reason to believe that the permanent rent control legislation will not reflect the principles inherent in Bill 4. Indeed, there are grounds for believing that the provisions of the permanent rent control legislation will be even more onerous to the private ownership of rental housing in Ontario.

Finally, if the government espouses housing as a basic human right, then it becomes very easy to form the opinion that the private provision of rental housing for profit is morally repugnant. After all, how can any righteous person condone making money off the backs of tenants by providing a basic human right? Such a reprehensible state of affairs cries out for rectification. So what can a caring government do? It seems the government has three avenues of action:

Expropriate private owners without compensation; I do not believe the government would resort to this solution to its perception of the problem of private ownership.

Expropriate with compensation, the well-known "We'll buy you out" scenario. I do not believe the government has \$40 or \$50 billion to become the landlord of the people.

Enact Bill 4 and then the concomitant, permanent, strict rent controls. This sterile action does not address the

needs and concerns of the landlords and tenants of Ontario. It does serve as a vent for a government frustrated at not yet being able to change the structure of ownership of rental housing in Ontario to conform with the socialist Swedish model.

1530

Ms Poole: Thank you for your presentation today. I should say from the outset that I support the principle of this bill, which the minister has said is to protect tenants from outrageous rent increases of 100% to 150%, luxury renovations and flippings. I even support the idea that there be a period of pause as they are looking for long-term solutions. But what I do have a very real problem with is some of the provisions in this bill and I would have a great deal of difficulty supporting it in its present form.

I would like to talk to you about the retroactivity which you have touched upon. The minister has said that he chose 1 October as the date to take the retroactivity to because that was the date his government took office and because there was a large, massive influx of applications because the new government was coming in. But in fact the retroactivity does not go to 1 October; it goes far beyond that.

For instance, a landlord might have commenced renovations and put out money, paid money in 1989 or in the spring of 1990, and still be caught by the retroactivity, and also the phase-in orders for the financial loss. They would be caught in the retroactivity even if the order was two or three years old. Would you like to comment on this aspect of the retroactivity, that it is not as it appears on the surface 1 October, but actually goes far beyond that?

Mr Sawchyn: What you have stated is correct. By using the first effective increase date as a cutoff point, you need to have work completed in the past before you can make application in the future, so what you have said is correct. The retroactive period goes back much further than 1 October. That is not fair because if someone did work under existing legislation, he expects to be compensated for that work. He does not expect the rules to be changed after it is all over.

Ms Poole: I think one of the problems with people comprehending the effect of the retroactivity is that many people do not understand the way the rent review system works, that if you were, for instance, going to have a rent increase effective 1 October, you would actually have to apply 90 days prior to that, and second, for capital expenditures, that you have to substantively complete the work before you even apply. So you could very well have applied on 1 July and that would be caught in the moratorium, but the work could have taken place the previous year even.

Mr Sawchyn: That is correct.

Ms Poole: I think that is something a lot of people do not understand.

One of the other problems I have seen with this bill is that it has no penalty for those who are abusing the system or, shall I say, those who are taking excessive advantage of the current law. It also concerns me very much that there will be no provision for necessary repairs and renovation

for up to a two-year period; that you can have an underground parking garage that is on the point of collapsing; there can be a work order out against it, yet there is no provision for having that work done. Would you like to comment on that?

Mr Sawchyn: I feel there should be some provision for increases attributable to necessary major capital expenditures, even in an interim period, because otherwise the delay in completing the work frequently increases the cost.

Mr Tilson: The Ministry of Housing has provided this committee with statistics prepared by CMHC which show, of the cities this committee is visiting, that Hamilton has the second-lowest average market rents in apartments of structures of three or more units. My question to you is, because you seem to be fairly informed on this subject, are the problems in the city of Hamilton different to those in the city of Toronto?

Mr Sawchyn: Yes, they are. As you have mentioned, the level of rents in Hamilton is significantly lower than Toronto, and if you look hard enough, you can still find one-bedroom apartments in Hamilton between the \$200 and \$300 range, so we do have a rent structure that is a lot lower than Toronto's.

Mr Tilson: The information that I have is that for all units, as of October 1990, in Hamilton it is \$483.40 and in Toronto it is \$629.35.

Mr Sawchyn: I have seen the same information.

Mr Tilson: My question is, is Bill 4 designed more for Toronto problems? Certainly the types of problems that we have heard outside of the city are different than the types of problems that are occurring in the city of Toronto.

Mr Sawchyn: Well, it seems that Toronto is always taken to be representative of the province as a whole, and it is not; it is a unique area on its own. One of the problems with global legislation is that it imposes a uniform solution on situations which do not apply because they are unique.

Mr Tilson: One further question, with respect to the legality of Bill 4, which has surfaced periodically throughout these hearings: Do you have access to any legal opinions as to whether or not Bill 4 is legal or illegal?

Mr Sawchyn: No, I do not.

Mr Tilson: With respect to your position, you are a rent review consultant?

Mr Sawchyn: That is right.

Mr Tilson: The information that has been given to us appears to be that as a result of this legislation and other rent control legislation, the rich will get richer. This has occurred in the United States, and it shows that rent controls benefit the rich and the middle class and leave the poor in deteriorating units. In other words, units, because fewer funds are put into them, deteriorate more and more. Do you have any more specific information on that subject?

Mr Sawchyn: That seems to be a recognizable trend in Hamilton. It just seems to be something that rent controls bring, that generally people with greater income can

be more aggressive in finding housing appropriate to their needs.

Mr Tilson: Are there people who are abusing the system, in other words?

Mr Sawchyn: There are people who pay perhaps 5% of their income towards their rental housing. I do not want to mention any professions, but there are professional people in apartments paying perhaps \$400 or \$450 for a three-bedroom unit.

Mr Drainville: I would like to first ask you, Mr Sawchyn, as a rent review consultant, could you briefly give us some indication of your clients? I wonder if AFFORD, the Association For Furthering Ontario's Rental Development, is also one of your clients.

Mr Sawchyn: No, they are not. I have nothing to do with AFFORD.

Mr Drainville: Could you tell me some of the clients that you presently have?

Mr Sawchyn: They range from individuals who buy buildings to corporations who manage buildings.

Mr Drainville: Could you name any of those people that you consult for?

Mr Sawchyn: I do not see the point of naming them. Interjection.

The Vice-Chair: Order.

Mr Drainville: Well, let me ask you—I have some questions.

Mr Mahoney: Think of a question and ask one.

Mr Drainville: I just did. The next thing I would like to say is, in terms of your role as a rent review consultant, Bill 4 actually helps to put you out of business in a sense because the loopholes and the difficulties of the rent review legislation that we presently have are going to be not helpful to your present status as a rent review consultant. Is that not correct?

1540

Mr Sawchyn: What you call a loophole I call a justified ground for an increase over the guideline. That is right. If you remove grounds for increases above guideline, you remove the need for consulting.

Mr Drainville: Let me ask also, in terms of your experience of working with landlords as a consultant, have you ever seen that a landlord has tried to pass through non-legitimate increases?

Mr Sawchyn: I cannot recall any instance of a landlord attempting to pass through an illegitimate cost.

Mr Drainville: Yet in the time we have been on this committee and travelled on this committee, we have seen exorbitant increases of 50%; 62% was mentioned today by a gentleman who was here representing tenant groups. Obviously, the reality is that there are tenants across the province who find themselves in the situation where they cannot afford a 62% increase in their rental accommodation.

Further to that, one of the problems we have been trying to address in Bill 4 is precisely this: We have been trying to allow for the new legislation which is being drafted from the government to be implemented so that we

can ensure that these aspects of legislation that are grossly unfair to tenants are changed.

Let me go further and ask you this question. In terms of your experience in giving this kind of consultation, what types of increases have landlords asked for and what type of work do they need payment for?

Mr Sawchyn: The increase asked for is specific to a particular building. If a landlord, for instance, has a 100-year-old sixplex and he virtually reconstructs it by spending \$100,000, then he may be able to justify under the current act a 125% rent increase. But the resulting accommodation cannot be compared to the former accommodation. You could have had a rent of \$175; after virtually rebuilding the building, they ask for \$400 or \$425. But you really cannot compare the two accommodations.

Mr Drainville: In all your days of consulting with landlords and various companies, do you have any idea how many tenants have been economically evicted because of those kinds of increases?

Mr Sawchyn: No, I do not. So far I have not seen any indication from anyone as to the extent of so-called economic eviction.

Mr Drainville: Well, talk to some of the tenants here.

DINO NICOSIA AND ROBERT ADORANTI

The Vice-Chair: The next presentation will be made by Dino Nicosia. Good afternoon, gentlemen. If you would introduce yourself and the organization you represent, if there is one, and proceed for 10 minutes with your presentation, then the committee will be happy to discuss it with you for a further 10 minutes.

Mr Nicosia: My name is Dino Nicosia. I am a real estate agent and a landlord. With me is Robert Adoranti, also a landlord and a steel company employee. I am here today representing myself and a group of small landlords like Robert who have either mortgaged their homes or risked their life savings to invest in the residential market. All we wanted was a better life for ourselves and our families.

Before each purchase we carefully projected for long-term investments and not for these so-called flips we so often hear about. We knew our buildings would be in a financial loss situation for the first few years and we were prepared for it. However, we were not prepared for the sudden shock of Bill 4. With the introduction of Bill 4, with its unfair, unjust and devastating retroactive policy, we are going to be punished, and some will be financially ruined.

This government must realize that we are not faceless corporations; we are ordinary working people with ordinary jobs, with families. Why would a government that represents people and represents fairness and equality want to destroy one to help another? It is a fact that most of my partners are—or should I say were—NDP supporters, union people who really believed the NDP was a fair government.

Well, so far this government seems to possess incredible powers, with the ability to go back in time and take away something that was already given. It is unfortunate

that we do not possess the same powers to go back in time and regain our original investment. We are left at the mercy of the NDP government and Bill 4.

At this time, Robert would like to discuss how Bill 4 has affected him personally.

Mr Adoranti: I decided to invest in the rental housing business three years ago. The decision was made after careful study of the market and rent review rules in place at the time. As I was not in a cash position, I mortgaged my home for a substantial amount of money. Over the past three years I invested in numerous multiple-unit buildings, using projections based on rent review legislation in effect at the time.

My intentions were long-term investments, and to date I have not sold a building. Original projections indicated negative cash-flow on investment. However, financial stability was possible by applying to rent review. It is possible that the rules and regulations of rent review will be changed such that previous orders will be thrown out the window.

What does this mean for me? Two applications for rent review are held up in the moratorium. Rent increases legally granted on other buildings cannot be implemented. I have stopped all major repairs and capital expenditures, even those requested by tenants. The current situation has put me on unstable ground. Financially, I cannot carry the losses of the buildings and without the granted increases the projects will be a losing proposition indefinitely. The possibility exists that I may have to walk away from the buildings. Mortgage payments on my own house are now in jeopardy.

I stress and request that the people here today review what has transpired. Do not make the rules retroactive. Strive for a rent review system that is fair to both tenant and landlord. The current moratorium is not fair to people who are struggling to make the payments like myself.

As I look upon my investment decision made three years ago, I realize that I made a decision that is now haunting me because the government is changing the rules, some of them retroactively.

What is in store for future investors? There will be no confidence in the system. I would get out of this line of business immediately if I could get my money back. The constant harassment, effort and time has not been satisfying, and with strong government controls changing the rules from year to year it is clear that investors like myself would avoid this line of business. If investors like myself make this decision, the housing shortage will become worse, as buildings will be neglected and abandoned. No new buildings will be built. We have already seen this phenomenon. The situation for tenants will continue to deteriorate.

My family had been long-term NDP supporters in the Hamilton area, and I hope the NDP government will keep its promise to listen to the people of Ontario and be fair to everyone, not just a select few.

Mr Nicosia: This government has made it very clear that as long as you are a tenant, regardless of your income, you are the politically chosen to be protected.

David Cooke made his decision to pass the moratorium from pressure and not through consultation. Speaking to a tenant association, he says: "We intend to make it a real rent control system that I believe you will be proud of." Mr Cooke has also indicated that housing is a basic fundamental right for the people of this province. What about the rights of home owners and landlords? Are they not people too? Who is protecting the home owners from inflation, the high interest rates and the recession?

If this government is sincerely trying to address the affordability problem, why would it introduce such devastating legislation? I am totally confused about how this unfair policy is going to help those tenants who really do need help. Freezing all rents retroactively to a minimum and financially ruining landlords does not address the real issue. Needy tenants require assistance, not rigid rent controls.

These strict controls will take away any incentive for many tenants to purchase their own homes. Why should they? Tenants realize that as long as they rent they will be protected from the real world. Rents have not kept up with rising costs and house prices.

For example, in the Hamilton area the average rent is less than \$490 per month, yet according to a local bank the average mortgage is over \$100,000. This relates to a mortgage payment of approximately \$1,200 per month, not including property taxes, insurance, heat, hydro, etc. Rents have simply lagged too far behind inflation.

I would like to conclude by asking the members of the NDP government to please reconsider the retroactive legislation. Respect the previous government's approved applications. If you are committed to strict rent controls, let it affect any new buildings, keeping in mind that Bill 4 will be counterproductive. Investors will never trust their government again. More and more tenants will hide behind rent controls and not enter into the housing market. Most importantly, poor tenants will still find it difficult to pay their rent.

One solution that I believe will work is a subsidy fund. This fund could subsidize the 33% of tenants that the Minister of Housing has acknowledged pay more than 30% of their income on rent. Is it not common sense to isolate the ones who really do need help, rather than subsidize all tenants, regardless of income, at the expense of the landlord?

Thank you for giving us the opportunity to voice our opinion. We sincerely hope our views will be considered in your final decision.

1550

Mr Tilson: To the first speaker: As a real estate agent you presumably come in contact with a number of investors, large and small. Have you had discussions with many of these individuals or corporations concerning Bill 4? If you have, what are those comments, generally speaking?

Mr Nicosia: First of all, there are no corporations; they are all individuals. Yes, we have had discussions. They are all very paranoid of losing their life savings. In fact, all of them have mortgaged their homes. There are 15 individuals I have dealt with in the last three years who

have purchased the apartments, and they are all in a situation where they could go bankrupt.

Mr Tilson: Would you explain that?

Mr Nicosia: By taking away the phase-ins, their equity has dropped by 25%. When the mortgages come due in two years' time, they will have enough financing from the first mortgage to pay that loan. Therefore, the question they have is, do they walk away now or four years from now or three years from now? Without the phase-ins, they cannot obtain the financing. To carry those losses, they are in a loss situation for the next three to four years.

Mr J. Wilson: I very much like your idea on the people subsidy, tenants who require the subsidy, that it be to the people and not to the buildings. But I am a little confused. Like one of the other presentations we had today, you mentioned that your advice to the government is that Bill 4 only apply to new buildings. Two problems I have with that is, first, do you really think there will be landlords buying new buildings under Bill 4?

Mr Nicosia: No. The reason I said that is that I really believe this government has already set its mind to introduce Bill 4. I really believe that, so I am pleading to at least leave the old purchases alone. I do not believe Bill 4 is the solution, as I have stated in my presentation; it is a disaster. However, I know they believe this is the law and they are going to go through with it.

Interjections.

Mr J. Wilson: New purchases is what I meant, not new buildings; I do not really expect to see any new buildings popping up under Bill 4. So you are trying to be realistic today.

Mr Nicosia: Yes, I am.

Mr J. Wilson: We have taken, you might have guessed, the same assumption, that Bill 4 will go ahead. We will certainly be pushing to take the retroactivity out of that if we can, to make it fair, as you say. People were operating legally under the previous system.

Mr Tilson: The second speaker: You have described where you are going. What do you think will happen to you personally as a result of this legislation?

Mr Adoranti: If Bill 4 is introduced as proposed, and I cannot carry the losses, cannot carry the buildings, I will have to evaluate which buildings I need to walk away from to reduce my payments. I will have to walk away from them.

Mr Tilson: How many buildings do you anticipate you might walk away from?

Mr Adoranti: I would say two.

Ms M. Ward: I want to ask Mr Adoranti a question. In your brief you say: "I was not in a cash position. I mortgaged my home for a substantial amount. Over the past three years, I invested in numerous multiple-unit buildings." How many are "numerous," and what is your equity in these buildings? How much did you put into them? How much is financed and being passed on?

Mr Adoranti: I am part owner of six multiple-unit buildings. I do not know if I want to give personal information to the public.

Ms M. Ward: I think it is a major consideration, how much is financed and how much is being passed on in the financing costs that tenants are being asked to absorb in these phase-ins. If you have a substantial investment, I think it is a different situation than if you have 85% financed.

Mr Adoranti: Let me put it this way. As mentioned before, we are personally liable for the mortgages of the buildings, so it is maybe \$500,000, \$600,000 invested that I am looking at, and I am only a straight day employee. That is how much money would be guaranteed by me.

Ms M. Ward: But you do not care to say the percentage.

Mr Adoranti: On my house?

Ms M. Ward: No. Of what is financed on those six buildings.

Mr Adoranti: They are financed about 75%.

Ms Harrington: First, I wanted to respond to the remark you made in your brief about the rights of home owners and landlords: "Are they not people too?" I would like all of us to think back over the last 20 years or so. I firmly believe that those of us who are lucky enough to be home owners have had very many advantages, for instance, a \$100,000 capital gains exemption. Anyone who owned a home over the last 20, 30 years had many advantages in the system in Canada, so I think it is about time that people who have apartments as their homes have some kind of advantages too and some kind of stability.

I want to ask you a few questions. First, do you feel, either one of you, that the system which was in place before this election was working?

Mr Adoranti: Working for me or working for the people?

Ms Harrington: Working in general.

Mr Adoranti: I do not believe so. I do not believe it was working in general. It was legislation maybe that was fixed up. Any time you get government control and private enterprise, you are always going to get a mishmash like water mixing with oil, because on the one hand they are trying to control something and you are trying to do something else. They do not have the same end goals, so I do not believe it is ever an easy task to perform.

Ms Harrington: So now is the time we need to have a breathing space and stop and ask what we should do for the future of rental housing in Ontario to help both landlords and tenants. We would like to do that with you.

Mr Adoranti: Yes. What you are doing is not a bad idea, but I do not think you can take a long time to do it. There are people here who need decisions quickly. I think it has to be looked at quickly.

Ms Harrington: I understand. Anybody in business has to know what the guidelines are.

Mr Mahoney: I understand you have made two applications for rent review that are currently caught in the moratorium. Could you just take a minute and walk us

through one or both of those applications? The kind of thing I am interested in is what you applied for, the type of work that was involved, the notification to the tenants. Did any tenants leave as a result of this application? Did you have any kind of consultation with your tenants or difficulties?

Mr Adoranti: No. My application was for 9.5%, and I did not get any negative feedback from the tenants. Anyone here is welcome to speak to the tenants. I have done quite a few repairs. One building in particular was quite an old building: taps were leaking, toilets were broken, sinks were cracked, fridges were frosted up and hardly working. They were happy to see the improvements. Many of them actually commented to me, "It's about time we had an owner who would do something in here," and they did not mind paying the increases. You are talking a 10% increase. With average rents of \$400, it was maybe \$40 a month more, 5% of which they would have had to pay anyway. They were quite pleased with the improvements, and I had nobody walk out because of rent control applications.

Mr Mahoney: Have you ever had anybody evicted due to economic difficulties created by a rent increase?

Mr Adoranti: No, I have not, not to date.

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Mr Mahoney: I am curious. Perhaps it is your attempt to not dump all over the government in the hope that some of your points might come through, if you went through this process, if you applied, if your tenants saw the work that you were going to do and were satisfied and subsequently agreed with the increase, why you would consider what is under way now a good thing and what was wrong with the system other than, I understand, the bureaucracy that existed? Believe me, if you want to see bureaucracy, just hold on; it is coming.

I am curious how you can arrive at the statement that what they are trying to do is good. Who is it good for? I have yet to hear one tenants' group tell me what good this bill does, other than the cap that gets put on, and the government is admitting it is actually not a good bill because it is yanking it in a few months, after they get done with the green paper. If you think you are confused—

Mr Adoranti: I believe the ultimate solution is elimination of all rent control, any government intervention, and let it go on a supply and demand situation. Let me give you an example.

The government has said that housing is a public necessity; so is a pair of shoes. I think everybody in this place here, I think every tenant I have seen has been wearing a pair of shoes. Now if he goes into Sears and cannot afford a pair of shoes, he applies to the government for help. The government then gives him help in the way of welfare or unemployment insurance. The government does not go in and tell Sears how much to charge for shoes. It goes on a supply and demand situation. If there is a problem with supply, then it should be phased out over time and let the supply take care of it.

I have heard some people saying that there are some vacancies now. Well, there is supply and demand at work. That is free enterprise and it will benefit the tenant in the

end because the landlord has to improve his buildings and keep them up to date if he wants them to be full. The only way that can be done is on a supply and demand situation.

SANDRA KONDO

The Vice-Chair: The next presentation will be made by Sandra Kondo. Good afternoon, Ms Kondo. I will not make any puns about the name, but it is very appropriate that you are here. You have been listening to and watching the proceedings, so you will understand the 10-minute time for your presentation and the 10-minute questioning period. Perhaps you would introduce yourself.

Ms Kondo: My name is Sandra Kondo and I would like to thank you for allowing me the opportunity to speak to you today.

Please be advised that I represent several landlords in southern Ontario who have grave concerns over the implementation of Bill 4.

I ask that the panel consider the legality of a retroactive law and the unfairness of such an act. How does the government respond to landlords who acted in good faith and followed the Residential Rent Regulation Act, Bill 51, every step of the way?

First of all, giving 30 days' notice to all tenants of intended capital expenditures; prepares and files an application for rent review with the Ministry of Housing and gives corresponding copies to tenants; gives 90-day notices to the appropriate tenants; files a cost-revenue statement with copies of paid invoices and copies of cancelled cheques; then finds out that everything has been set aside because of a law that has yet to be passed.

I wish to point out that last April 1990 an amendment to Bill 51 was implemented requiring all landlords to give 30 days' notice to all tenants regarding capital expenditures the landlord wished to carry out. Had landlords not had to give these notices, their applications would have had a start date of September 1990 and would not fall under this new proposal. In all probability these applications would have an order issued by now.

Many landlords were severely affected by the delays in orders from the major changes that took place in the creation of Bill 51 during 1985 through 1987 when this act was implemented. The delays in issuing these orders under Bill 51 was sometimes close to three years after the fact of the people filing their applications. The bookkeeping and the financial problems caused by these delays were horrific. In many cases landlords were unable to collect the back rent owed to them. Surely the government can see the ramifications if such a situation is created again.

Had Bill 51 worked properly, orders should have been issued before or on the commencement date of the applied-for rental increase. In March of this year—in fact next month—landlords have to make decisions about their rents of 1991 and 1992, rents that they do not know at this point when they filed an application for 1 October and after. How does a landlord make such a decision? Does he take the current guideline of 5.4% to 1991, or does he go to rent review when he really does not have a clue what his current rents are?

I feel that landlords have been put in an extremely unfavourable position and cannot make any financially sound decision when such uncertainty exists. What possible benefit can be derived from creating such a situation as the implementation of Bill 51 caused? The landlord cannot make his decision and the tenant does not know what his rent is or whether he can afford it the current confusion of Bill 4.

A landlord, I agree, should not be able to claim for frivolous items such as microwaves or a fish tank in a lobby as a way of getting a rent increase. In 11 years of preparing hundreds of applications for rent review, I have only seen one case of a blatant abuse of the system. In all other cases, major repairs or capital expenditures claimed were necessary. I would like to give you some examples.

Unsafe situations existed. Bylaw upgrades: Installations were ordered as per the case of the Ontario fire code. Items claimed had just worn out and it was not feasible to repair them any more, not because the landlord had wanted to raise the rents. I find it hard to believe that a landlord could commit himself to thousands, or in some cases millions of dollars of financing just to raise the rents.

Landlords whom I represent contracted for their capital expenditures long before any election promises of the current government. In all cases the repairs and replacements were a necessary item. In some instances there were safety factors involved; in others building upgrading had to be done, otherwise severe water problems in kitchens and bathrooms would have happened; and in some cases tenants were asking for new appliances—just to name a few situations.

The capital expenditures in my landlords' applications had been substantially completed and paid for long before the implementation of the proposal of Bill 4. You must not deprive the landlord of his right to recoup these costs under Bill 51. The landlord has followed the act in good faith and so must the government.

Surely the government can see the tremendous damage that is created by the amendments under Bill 4, not only for the landlord but for the tenant and the construction workers of Ontario who count on these repair and renovation contracts to make a living.

The government must realize that this amendment to the Residential Rent Regulation Act was a knee-jerk reaction to election promises without properly thinking out the ramifications or legal aspects of such a decision. Does the government honestly believe it acted responsibly in its decision?

If the government truly believes that the Residential Rent Regulation Act is unfair and unjust, I respectfully suggest that a tenant representative and landlords or their representatives work with a committee such as yourselves and hold meetings before making any amendments. The start dates of any act or amendment should be in the future and definitely not in the past. However, regardless of any amendments to Bill 51, the ability to claim necessary, and I repeat necessary capital expenditures should never be taken away from a landlord. The landlord must have the right to claim necessary repairs.

The findings from future meetings, combined with the information already compiled in the last few weeks, would allow a panel such as yourselves to make a sound and just proposal to the provincial government. Would this not be a fair and legal solution?

Before I close, you have a number of photographs that were provided by Nick Galli of B&G Construction which owns an apartment building in Hamilton. Mr Galli is unable to be here today, but he asked me to give these to you. These clearly indicate that the building was structurally unsafe and unsound and had to be corrected. There is a proposal that I have submitted and submissions that I have given that show that these amounts and the work and everything was contracted by way of Schroeder Engineering in December 1989 and paid for long before the implementation of the Bill 4 proposal.

Again, I would like to reiterate and say that the government must not take away the provision of a landlord to be able to claim his capital expenditures. I ask that you study the proposal that I have submitted and also the submissions of the landlords and take the time to review them. Again, I thank you for giving me the opportunity to talk to you.

Mr Drainville: I would like to ask one sort of general question to understand where the witness is coming from.

I believe that you did work at one time with Effort Trust, did you not, and that there have been charges laid against you about the absconding of funds from tenants in the past. Is that true? How many—

[Interruption]

The Vice-Chair: I would remind everyone that there can be no participation by the people present.

Ms Kondo: Excuse me. I came here out of good faith today and I will not tolerate such an accusation from yourself.

Mr Drainville: Are there any charges that have been laid against you?

Ms Kondo: For absconding with funds. No, sir.

Mr Drainville: Are there any charges? Please clarify then.

Interjection: That is irrelevant. What kind of question is that? Talk about apartments. She is not on trial.

The Vice-Chair: Ms Kondo.

Ms Kondo: Excuse me, sir. I do not have to put up with this at all from anybody.

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EFFORT TRUST

The Vice-Chair: The next presentation is to be made by Effort Trust, Mr Weisz. Good afternoon. Perhaps you would like to have a chair, and as you may know, you are allowed 10 minutes to make a presentation to the committee, followed by 10 minutes of discussion with the members. Perhaps you would introduce yourself and the organization you represent, if any, and your position within that organization.

Mr Weisz: Yes. My name is Arthur Weisz from Effort Trust and I am the president of Effort Trust.

I would like to make a very brief presentation. I think your group heard a lot of questions or a lot of problems with the apartment management companies in Hamilton. Basically I would like to bring to the board's attention that rent control was introduced in 1975 and the reason it was introduced was because in a small part of downtown Toronto rent increases were higher than the government at that time would have liked to see it. Rent control came in effect in 1975. Then, again, Toronto had some shortages.

In Hamilton at the time there was 10% vacancy, and rent control was introduced at the time with the idea that price and wage controls came in at the same time and it would be only for one year. When the one year was over, price and wage controls went out and rent control stayed for another year. The minister of housing at the time when the government maintained rent controls resigned.

Hamilton was always a very low-rent city because construction was quite active. From 1960 to 1975, in Hamilton I would say approximately 25,000 rental units have been built in that 15-year period. From 1975 to 1990 or 1991, not one unit has been built in Hamilton by the private sector without government help; not one unit. At one point the government offered an \$8000 subsidy to the owners who built the unit. Even with that subsidy, nobody built anything. It means since 1975 this city never saw one unit built.

We are in this business since, I would say, 1955. We manage a large quantity of apartment units in Hamilton. None of the units that we manage, not one unit, was ever sold. We still manage—we build some units. We group purchase some units, you know, mostly local people, and we are managing that portfolio. Never one flip occurred in our units, and I could say in all honesty that in Hamilton there are at least 20 builders and landlords who never sold a unit. The majority of the people own that unit. They manage it. They look after it.

That is the main reason I would like to bring to this group that it not look at everything from the negative point of view. This group did something for this city and we are part of it. May I show it to you?

In 1972 our company rented 535 units in Hamilton. That was one year; our company alone. This was 1972. All of these buildings are still in our management. None of them has been sold.

There are so many problems to solve with this rent control problem that it takes weeks and weeks even to understand. Rental units, when the 1975 reassessment took place, did not keep value with the rest of the real estate. The provincial government used a formula. For a single family house or a duplex, the formula they used for tax purposes is 10.5 per cent. For a unit which is three to six units, the formula is 15.49 per cent. For an apartment building over seven units, the formula is 25.5 per cent.

The same government that introduced rent control is taxing tenants in the buildings two and a half times higher than any single family house. This really does not make too much equity when we are thinking. But there are so many things that rent control created in this industry, that again I would much sooner answer some questions than go on and on.

One more thing that is maybe worth while to know. The housing market has become very difficult in Ontario at the present time. The condominium market died completely because a lot of tenants who are living in the best buildings in Hamilton—I am sure that is happening in some other places too—have not moved. There is a large quantity of these people that have large incomes. They are sitting on this wonderful unit. there is no turnover. They are paying \$400 to \$500 rent a month and because the house sales are very quiet, there is no opportunity even to develop a condominium, and that has hurt things, the construction industry and everybody.

I would like to answer some questions. Maybe you would like to hear a little bit more how I feel and what is happening in Hamilton, because I am in real estate since 1952. I am one of the senior brokers in Hamilton. We like this city. We work very hard and we hate to see that this industry is really dying out.

Ms Poole: Thank you, Mr Weisz, for presenting to us today.

I have some questions because quite frankly we have had very little input from the financial community as to some of the implications of Bill 4. We have been told anecdotal evidence that there are going to be a number of financial companies that do not renew mortgages, do not renew financing, because of Bill 4, that for instance in the case where a landlord has gone and got a \$400,000 financing package to put in capital expenditures, if Bill 4 is going to prevent that landlord from getting the rent increase with which to pay off that \$400,000, when that landlord goes back to refinance, there appears to be, if not evidence at least some suspicions that the financing companies will not refinance. Do you do rental as well as condominiums?

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Mr Weisz: Yes. We are a relatively small trust company and we have a very sizeable portfolio including apartment buildings. When this bill was introduced, the first thing our board told us was, "Don't lend any money for apartment buildings." There are two problems, not only the additional expenses, you know, what the landlord has, but the biggest problem is that with this bill the apartment value went down 30%. Anybody who bought a building one and a half years ago, his mortgage is coming up now. The value of this building—not what he paid for it, \$40,000 a unit—is worth only \$22,000 a unit. It means the financing is much, much higher. His equity is gone.

Actually, unfortunately, even a person who bought a single-family house in Hamilton a year ago for \$240,000 with a \$60,000 down payment has no equity. It is gone because of the economic situation. But an apartment building is a special problem because when the value has gone down 25% to 30% and his equity was 15% under the old rule, or 20%, certainly he cannot refinance this building.

There are a lot of situations like this and it is coming up more and more, because really we are a lending institution that is taking money from the public. We are very closely watched by the government. Standard Trust Co is a typical example. Their lending policy when they were—that is a serious problem.

Ms Poole: So it is a two fold problem. One, the buildings are devaluing and, second, if the landlord does not get the increased revenue with which to pay off the financing, then your company's new policy will be that it will not refinance.

Mr Weisz: Correct. May I say one more thing that is worth my—1990, talking about Hamilton, rent increases were 4.6% and the tax in Hamilton went up 12.75%, one item. Now, how could you maintain? The tax increases in Hamilton wiped out the total increase. And let me say this to you. The better-quality buildings in Hamilton, and we have lots of experience—when we go to a working-class district for rent control increases, and we do it very seldom, you know, honestly, I may say that in all fairness we did not do any luxury renovation. We do not even know what it means. We do not even understand this.

But let me say one thing. When you want to open a subdivision, nothing to do with rent control, when you want to open a subdivision in Hamilton, there are two government bodies setting a fee, how much you have to pay to open the subdivision; that is, the city and the region. Three months ago, the capital improvement, which the subdivider has to do, went from \$7,500 a unit to \$15,000 a unit—a 100% increase without their doing anything. Nothing has been changed. They do not pay for the services, they do not pay for anything—just capital contribution went up. I do not like to hear about a landlord doing luxury renovation, but when a local government can increase capital contribution 100%, from \$7,500 to—everybody was thinking that money is growing on the street, that everybody has a machine.

Unfortunately, we are paying a big price for it, and government is not better than a greedy individual, you know. We did a major renovation in one building that I could demonstrate to you, on Herkimer Street. The buildings are 50 years old. The government paid 50% of the renovation; we paid the other 50%. We got a 21% increase and we ourselves did that in two years. Now we are stuck with it because the second year is not allowed now. Unfortunately, this whole rent control is a much deeper problem than anybody in this room understands.

The Vice-Chair: Mr Tilson would like to ask you some questions.

Mr Tilson: Just to clarify one point you made, sir, are you telling this committee that since 1975 there have been no new buildings—

Mr Weisz: Not one building in Hamilton has been built without government subsidy. Not one free enterprise building was built and I know it.

Mr Tilson: All right, I assume the new tenants are going into non-profit type of buildings or government-sponsored buildings, but where are other new tenants going? Surely the government buildings cannot house everyone.

Mr Weisz: I tell you something, they are struggling. They are going into lower duplexes, you know; they are creating an extra unit.

Mr Tilson: Basement apartments?

Mr Weisz: Yes. May I say it loud and clear: Since 1975 not one building—Toronto is different because in Toronto you can have a rent-controlled building, \$500 rent, and next door somebody will pay \$1,000 because there is a shortage. Hamilton never experienced it.

Mr Tilson: That is an astounding fact.

Mr Weisz: It is fact.

Mr Tilson: I have a second question. It has been described to us, the effect on owners of buildings and landlords of not being able to receive financing as a result of the possible implementation of Bill 4. Do you have any direct facts to relate to this committee from either your own firm or other firms as to how Bill 4 specifically affects investment companies such as yours?

Mr Weisz: Yes. May I say one thing? Rent control—I come back to this question. Rent control created a white elephant. Buildings which never were sold since 1975—and I am sure you know that in these buildings tenants who can pay a much, much higher rent what they are paying now are enjoying a tax-free benefit compared to the buildings that went to rent control two or three times, you know, and the rent became much, much higher.

What happened to us now, these buildings went to rent control and the rent became not \$400 for a one-bedroom apartment but became \$490 or \$550. These units could not be rented today. The lending institutions are really careful now, very worried about it. I could name you buildings in Hamilton which have 20 vacancies in 100-unit buildings because the market is not willing to pay it, and that is no shortage. People are offering one month or two months free rent when the rent is higher than the average rent in Hamilton. When you are a financial institution and you see that it is a risky investment, you will not lend money, and that is happening in many, many instances.

Mr Tilson: Yes. I am looking specifically as to whether there is any noticeable effect on banks, financial institutions, chartered banks, trust companies; whether there is any noticeable effect from people who you have spoken to in those industries—

Mr Weisz: Yes.

Mr Tilson: —as a result of the introduction of Bill 4. Could you elaborate on that, sir?

Mr Weisz: Put it this way. Our own situation maybe—I could speak generally about the situation, more than our own situation. When you have a mortgage due today on an apartment building, the lender will look at it. You know, what is the situation with it, how much income you have, how much expenses you have. You know, a building has to carry the mortgage. When it will not carry it, you cannot get it. The same thing when a man is buying a house and his income is not carrying a \$100,000 mortgage, Central Mortgage and Housing Corp will not allow you to lend on that coverage. And the same thing happened with an apartment building.

Mr Abel: Mr Weisz, as you probably know, I am from the Hamilton area and I am led to believe that you are probably one of the biggest landlords in the Hamilton area,

both commercially and residentially. Is that correct? Well, one of the biggest ones.

Mr Weisz: Yes.

Mr Abel: Okay. Approximately how many buildings do you own?

Mr Weisz: I tell you, personally—

Mr Abel: I am sorry, sir, you will have to speak up.

Mr Weisz: Personally I do not own too many buildings. My activity in the last 30 years was syndication. I have a lot of people, you know, they like what we are doing and when we acquire a building, somebody has 10%, somebody has 20%. But we are managing a very large portfolio and this portfolio was never bought for resale. The portfolio is solid, nothing has been sold, and we are really the victim of rent controls to a certain degree.

Mr Abel: Excuse me, that was not my question, about the selling.

Mr Weisz: Okay.

Mr Abel: We have very limited time.

Mr Weisz: Yes, go ahead.

Mr Abel: So please bear with me. On the average, what are we looking at for increases, let's say, over the last four years?

Mr Weisz: Our average increases are 4.6%.

Mr Abel: Pardon?

Mr Weisz: Very few buildings went to rent control; very few, almost none. I would say maybe 10% of our portfolio went to rent control when some major renovation took place; never any other time.

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Ms Harrington: The buildings to rent review.

Mr Weisz: No, 10% of the buildings went to rent control and our increases were always—

Mr Abel: No, my question was, sir, on the average, how much have your rents increased over the last four years?

Mr Weisz: I would say in some cases, you know, 5% to 6%, 7%; nothing more.

Mr Abel: Nothing more? Okay.

Mr Weisz: But only 10% of our total portfolio.

Mr Abel: Okay. And maintenance, what had to be done along the lines of maintenance in that period of time?

Mr Weisz: You see, according to the present rent control law, the minute you go for rent control, your increased rent is reduced 1%. It means when you do not do anything major, it is not worth it to go to rent control because you do not gain anything.

Mr Abel: Okay. Being, let's say, one of the largest landlords in the area, how is Bill 4 going to affect you, your holdings?

Mr Weisz: Bill 4 is affecting us because our portfolio value was decreased immediately 30%. It means that when we want to refinance an existing mortgage we may have difficulty because the effective value was decreased by 30%. When something is worth \$30,000 a unit prior to Bill

4, it is worth \$20,000 a unit, and when that has maybe a \$15,000 mortgage, you have a problem to refinance it.

Mr Abel: Just to put that in simple terms, it cuts into profits.

Mr Weisz: No, not profits. No, no, no, that is wrong.

Interjections.

Mr Abel: I am sorry, I must have read you wrong. That is what I thought you were saying, and using different words.

Mr Weisz: No. Anybody who bought a building for \$30,000 a unit two years ago and he was hoping to make a good investment, he made a bad investment.

The Vice-Chair: Thank you, Mr Weisz. You were very helpful.

Mr Weisz: Thank you.

HOUSING HELP CENTRE FOR HAMILTON-WENTWORTH

The Vice-Chair: The next presentation will be made by the Housing Help Centre for Hamilton-Wentworth, Walter Mulkewich. Good afternoon, sir. If you would introduce yourself and your organization and your position within that organization for the purposes of Hansard, then you have 10 minutes to make your presentation, followed by 10 minutes of questions.

Mr Mulkewich: Good. Thank you very, very much, Mr Chairman and members of the committee. My name is Walter Mulkewich and I am the executive director of the Housing Help Centre for Hamilton-Wentworth and it is my pleasure to present to you the point of view, if you wish, of the Housing Help Centre, which has been approved by our program committee and the board of directors of the Housing Help Centre. I believe you have our presentation in front of you and since I never like anyone who just reads word for word, what I will try to do is highlight it topic by topic and page by page, so that the presentation stands out for you.

The Housing Help Centre's presentation is based on our experience with both tenants and landlords and its focus is on the needs and the problems of low-income tenants, because that is what our mandate is. We do support the government's stated position that the rent review system at the present time is not working and should be replaced with a new system, and we also support the proposition that a wide consultation process is required on the way to that system.

The temporary moratorium bill, if I can call it that, Bill 4, only makes sense from the perspective of low-income tenants if in fact that process produces a better set of regulations. However, in the interim we would argue that Bill 4 could be made, if I could use the term, more user-friendly and, further, we believe that the rent review system by itself, no matter how much reformed, if it is just a matter of rent review, will not deal with the problems of low-income tenants. Therefore we urge the government to set the proposed rent review legislation within the context of a comprehensive housing policy that in fact will deal with the problems, the needs and the issues of the low-income tenants.

Our presentation is based on a number of topics: market affordability, security of tenure, quantity of supply, quality of accommodation, equity in the system and the complexity of the system.

On page 2 we have summarized what the Housing Help Centre is, to give you some sense that we are involved in the community in housing issues and that we deal in a direct service way with a great many low-income people, the majority of whom make less than \$15,000 a year. In 1990 we dealt with over 9,000 contacts.

We have given you some indication of a typical person who we might come in contact with, a single parent with one child living on family benefits allowance making slightly over \$1,000, which is 34% below the established poverty level for this area. And yet in terms of our research, our vacant market rental research project which we published late last year, we figure a medium-priced two-bedroom unit is \$675 a month. That is based on what is vacant, not based on what is out there, which means that particular family of two would pay 63% of its income on rent.

In terms of market affordability, this is one of the problems, that low-income people consistently pay more than 25% or 30% of their gross income on shelter costs and we see 50% to 70% as being common. Therefore this is really the basic problem of low-income tenants.

Bill 4 as a moratorium gives low-income tenants some breathing space in helping to prevent further spiralling of rents and certainly the moratorium on large increases as a result of major capital expenditures or a refinancing will help low-income tenants who might be faced with large increases they cannot afford to pay.

In the long run, we are arguing that low-income tenants will require some form of rent regulation system—call it what you will—but some form of system to put them in a fairer bargaining position. However, we are not convinced that a rent regulation system alone can deal effectively with the problems of market affordability and therefore we argue that whatever you do, put it within the context of a more comprehensive housing policy.

With respect to security of tenure, it is closely related to affordability, because low-income tenants tend to move a lot; that is, if the rent goes up more than they can afford, it is a matter of moving. If the system is difficult to understand or to deal with, for instance the present rent review system, if there is a large increase rather than using the system and fighting it, the easiest thing is to move. Therefore, we are arguing that the whole question of security of tenure should be addressed in the long-term system, and in the interim we would argue that you could make it easier for low-income tenants to be able to use the system.

With respect to quantity of supply, we have heard about quantity or about supply and demand, and we feel the real issue is not that of supply from the low-income tenants' point of view; it is the question of effective demand. In other words, low-income tenants cannot pay the rent that is required by landlords if landlords are to make rental property an attractive investment. We quote figures from an article in the *Toronto Star* that suggested that the rental housing market would require at least 8% a year

above the rate of inflation to induce investment and that this would be at least 12% a year more for rent. This is more than low-income tenants could pay.

We also note that the choice that is available to low-income tenants is generally the worst of the apartments or the units available. In the last few years, we note that there has been more money available in selling condos. This has of course been driven by trends in demographics and the market economy. In the past, at least up until the mid-1980s, much of the private rental construction in the country was in fact stimulated by various governmental subsidy programs and we have a whole list of them there going back to the early postwar period, and particularly in the 1970s. Since 1985 or 1984, approximately, those programs have virtually ended.

Now, some would argue that the removal of rent controls will result in an increased supply in the market. We would argue that if the rent review system were simply removed, an increase in supply would depend not on simply removing the rent controls but on other factors such as demographic trends, economic performance and the availability of governmental programs.

Based on historical evidence, units affordable to low-income people, we believe, would not be increased by simply ending rent controls as such. We note the experience in British Columbia in 1983 and I have a chart that I can show you that in Vancouver when the rent controls were lifted, in the next number of years, the number of units did not increase.

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Therefore, we would argue that the concept of a temporary bill leading to a new rent regulation system is positive only if that leads to a new system that is part of a comprehensive policy that indeed will tackle the problem of supply from the point of view of low-income tenants.

We would like to say something about quality of accommodation. Much of the stock in Ontario is getting older and our experience is that low-income tenants often are forced to live in accommodation that is in deplorable physical condition.

The present rent review system has simply not dealt with that issue. We believe that even in the interim, Bill 4 could deal with the quality issue. We suggest, for example, that no rent increase be allowed at all if there are outstanding building, fire or health regulation infractions. Tenants clearly believe that the rents they are paying, even without large increases for capital improvements, are for maintaining their buildings. We do believe as well that in the long run a housing policy must address the question of quality.

With respect to equity, we believe that all stakeholders should be treated equally and fairly. We note that retroactive legislation is rarely justified and always dangerous and that retroactivity requires overwhelming evidence as to its necessity to justify such an action.

We note that Bill 4 incorporates retroactivity to 1 October and we are certainly aware of tenants who face large increases because of applications that precede that. However, we are not aware of the total number of applications or units affected, to know whether in fact retroactivity is justified, and we feel that the burden of proof is indeed

upon the government to justify that to the public. That evidence may or may not be there. We would be interested in hearing that.

With respect to complexity of the system, the present system is clearly difficult for both landlords and tenants. We feel that now that Bill 4 has got the attention of both tenants and landlords the consultation process hopefully will be effective, more effective than previous consultation processes, and that if a better system emerges, the moratorium will be worth the wait.

In the meantime, we suggest that the government consider practical suggestions that have been made to this committee in other places with respect to making the system simpler in the interim, such as our suggestion of no rent increases if there are outstanding building, fire or health infractions.

In conclusion, ladies and gentlemen of the panel, again we support the basic premise behind the legislation that a new and better rent regulation system will be in place by 1 January 1993, even earlier if possible. We also support the consultation period and we hope it includes all people, including tenants and large and small landlords.

We strongly recommend that the consultation process and new legislation be part of a comprehensive approach to housing generally and that it would deal with the problems of low-income tenants.

In the meantime, our support for Bill 4 is conditional on the comments we have made throughout this presentation, and we would hope that this committee would consider those comments and pass them on appropriately.

We thank you for your consideration of our presentation.

Mr Tilson: If you are not a politician, sir, you would make a darned good one.

I agree with a lot of what you said, and really the only question I have is addressing one of the areas that you talked about. That is that no matter what rent is charged, there are a large number of people in this province who simply cannot absorb any rent increase. In fact, they cannot even afford what they are paying. As earlier speakers today spoke of, I guess it is something that the government should be getting into. It is a war against poverty.

I look specifically at senior citizens who are on fixed incomes, I look at single mothers who are not even on a fixed income—in many cases they do not have an income—and people and groups of our society that are in that category. This legislation or any of the suggested legislation that is coming forward from the government will not solve those types of individuals.

My question is how to address that. I quite frankly do not think it is something that you should be penalizing or allowing one segment of society to pay for; in other words, the jobs that are being lost—and there are jobs that are being lost; at least testimony has been given about that—the suppliers' contracts that are being lost. I would like to hear your thoughts, sir, specifically on the issue of subsidies and whether they are economically feasible.

Mr Mulkewich: Do you mean subsidies in terms of non-profit programs, or are you talking about other kinds of subsidies?

Mr Tilson: I am talking about other types of subsidies with respect to these different types of people who cannot even afford non-profit.

Mr Mulkewich: Clearly, as our presentation indicated, we understand that in terms of the private market, when it comes to low-income tenants, there is an affordability problem. Low-income tenants cannot pay the kind of rent that would be required to create the kind of rental stock that is required in this province. Therefore, we are talking about a comprehensive policy without going into the details, because we have not had an opportunity to do so, and we hope that that comprehensive policy would consider subsidies.

Obviously, non-profit housing programs and assisted geared-to-income housing programs are one form of subsidy which has been tried and true and proven. If you are talking about shelter subsidies or whatever that relate to individuals—

Mr Tilson: Yes, that is what I am talking about.

Mr Mulkewich: We as an organization have not taken a position. We have discussed it and we recognize the pitfalls in that. I think if you were to consider that seriously, you would have to consider the pitfalls; if you created shelter subsidies, how that would result in terms of the resulting rent increases. If it were along with an appropriate rent regulation system, I think we would have to look at the details. It is certainly an option. Clearly the question of providing affordable and decent shelter for low-income people is a difficult one, and your committee and the government should be prepared to look at all kinds of alternatives.

Mr Duignan: Thank you, Walter, for appearing here this afternoon. I have just got a couple of—

The Vice-Chair: Mr Duignan, Ms Harrington also has a question.

Mr Duignan: Okay. Just a couple of quick questions. I was wondering how many of your clients have been economically evicted because of the high rents.

Mr Mulkewich: We do not have a specific figure of how many are being economically evicted. We are certainly aware that this is indeed happening, and I think there are different variances of economic eviction. We clearly do understand that, in terms of the clientele we see, there are frequent moves.

Mr Duignan: Just a final quick question. Bill 4 basically is a step in the right direction in that it offers basic guideline protections and is definitely a lot simpler than the old law. Do you agree?

Mr Mulkewich: If it is moving towards a better system, we would agree. I think one of the points we have made is that it has not simplified the present system; it has more or less frozen it into place. We would like to see you look in the interim at simplifying the system, and that would make it a better bill.

Ms Harrington: First of all, the fact that you have had direct contact with over 9,000 people who are desperately in need of housing certainly gives your presentation a credibility.

I wanted to make a remark with regard to the shelter subsidy that has been proposed around this table. Basically, I would think that without a system of rent control, that is going to be just a pass-through to landlords. Would you care to comment on that?

Mr Mulkewich: That is one possibility, and I guess that is one short answer to the longer answer that I was giving to the other gentleman.

Ms Harrington: Okay. I wanted to just let you know that the rent control system that we hope will be in place as soon as possible needs you to consult with us. Also from Hamilton here, I was also going to ask Mr Weisz if he would be part of the consulting process, because certainly he has been around a long long time. You know, we want everyone who has got a stake in this to come up with a system that is going to work and work simply.

But you also said that you would only be in favour of Bill 4 if it also addresses the much wider problem of housing, and I would like to let you know that this is the first bill we have got our hands on. But we also are looking at the Ontario Housing Corp and trying to make that a good part of housing in Ontario, a well-run and a good place to live, and also the community-sponsored non-profits. We obviously are very much into how to fund that, especially in a time of recession. We need to get builders out there building and labourers and workers out there working, this year especially. Also, we want landlords, the private sector, to have a fair profit, all sectors of the housing industry in Ontario to work well together. So I hope to do that. We hope to do that.

Mr Mulkewich: Thank you. I hope you do as well.

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Ms Poole: Thank you, Mr Mulkewich, for your presentation today. I might say that I think this is one of the best briefs that has come before us from the vantage point that almost every piece of evidence we have heard has been polarized on one side or the other. You have tried to take, and I think very fairly taken, a very holistic view of this and pointed out what I feel are some major improvements that could be made to Bill 4 to make it workable.

On the one side, we have the government members, who I think are quite enamoured of Bill 4 in its present form. On the other side, we have the Conservative members, who I do not think could be enamoured of Bill 4 no matter what you did with it. We as Liberals, as quite often happens, are right in the middle. I like the principle of this bill, but I would also like to see it to be fair and effective.

I would like you to comment on your suggestion that no rent increases be allowed if there are outstanding building, fire or work orders. This is actually something that I have been beating the drum for for quite some time and nobody has listened to me, so I am hoping that the fact that it has come from you now may have some results.

I would like you to comment on this and the fact that Bill 4 really does nothing to discourage what I call the bad landlords, the abusers of the system, who do not give quality for the money that is put in and who do not care

for their tenants or their buildings. What suggestions do you have other than denying them rent increases?

Mr Mulkewich: In terms of the quality issue?

Ms Poole: That is right.

Mr Mulkewich: Well, I think we have to emphasize that there are good landlords and there are bad landlords and many in between, and frankly, a large percentage of landlords we deal with are excellent landlords. We have made that one suggestion, and it may on the surface be somewhat simplistic. Clearly it is not the total answer.

I think that we have also said that the quality question in terms of the kind of accommodation that is available to low-income tenants cannot be solved alone through the rent regulation system. That is only part of it. There is a larger problem to be dealt with, that is, how is the existing infrastructure going to be brought up to standard? I believe that that is really outside of the rent regulation system, that that issue has to be tackled. I think we are prepared to be involved in detailed discussions as to how that can be done. As a matter of fact, that is one of the topics of discussion at our centre.

Ms Poole: Do you have a problem with the provision in Bill 4 which basically says that no necessary repairs or renovations will have the costs passed through in rent increases for up to two years or the length of the moratorium? I am particularly concerned about this freeze and not allowing any repairs no matter whether the health and safety of the tenants is involved or the structural integrity of the building. Do you see that there is a place in Bill 4, temporary legislation though it may be, for having a provision for necessary repairs, provided that there are also a cap and provisions to prevent ongoing deliberate neglect?

Mr Mulkewich: From the point of view of low-income tenants, we have already indicated that the present guideline of 5.4% is somewhat above the cost of living that is predicted for 1991, and low-income tenants seldom get even the cost of living. Therefore, anything over five point something per cent is going to be burdensome for low-income tenants and is going to create problems of affordability, problems of lack of security, all of those kinds of things.

Therefore, what we are saying is that from the strict point of view, that there is a problem of low-income tenants paying their way and living in decent accommodation, this freeze is, from their point of view, a good thing. It does not solve the other problem, and I think that is where the "temporary" has to be emphasized. I would hope that there is a long-term solution that will be fair to landlords as well and to the private market.

The Vice-Chair: Thank you, sir. Your presentation was most balanced and most enlightening. Thank you very much.

BRUNO MEGNA

The Vice-Chair: The next presenter is Bruno Megna. Welcome to the committee this afternoon, sir. You of course have seen the other presentations and realize you have 10 minutes to present and 10 minutes for questions. If you would introduce yourself and your organization for the purposes of Hansard, it would be appreciated.

Mr Megna: Mr Chairman, members of the committee, ladies and gentlemen, thank you for giving me the opportunity to present to you my concern about the proposed Bill 4.

Before I proceed, I would like to introduce myself. My name is Bruno Megna. I have resided in the Hamilton area for the last 27 years, most of which years I have spent in the real estate industry and rent review consulting. I have some investments in apartment buildings and I deal on a daily basis with landlords concerning rent review matters or, better yet, rent control nightmares. I am here today to express my concern and the concern of my clients in regard to the NDP's proposed rent control and the negative effect that it will have on the residential rental industry and the Ontario economy at large.

It is sad and unfair that the NDP government would even consider wiping out retroactively legal and equitable rights which have been accrued to property owners who were acting and complying with the law of the land. I am referring especially to the implications and the financial ruin that Bill 4, if passed as proposed, will bring to Ontario and possibly to Canada.

Bill 4 is unfair and punitive. It discriminates against responsible landlords. It threatens to destroy Ontario's present rental stock and make slums out of it. It will bankrupt the property owners, trades and suppliers, just to mention a few. It will fuel the present high unemployment and it will put Ontario in a deeper economic recession. Bill 4 forced my company to cancel over \$1 million worth of much-needed capital expenditures and cut my maintenance employees from 12 to 4.

I would like to share a couple of horror stories that I and a client of mine are going through. These investors are individuals who, by working hard for many years and by saving every penny that they could, did succeed in accumulating a few dollars. They felt that they would be wise to invest in rental properties so they could build some financial security for their retirement. These investors are not the so-called high flyers. I like to give you an idea of what we are dealing with. These investors are a painter, a tile setter, a mechanic, a mail delivery man and a steelworker.

In 1990, a property located on Claridge Road in Burlington, Ontario, was purchased for a sum of \$3,200,000 with \$550,000 invested as down payment. Based on the legislation that was in place then and by not getting any return on the down payment, the project would have broken even after two years. Unknown to us, the NDP government had something in store for all landlords, regardless if they are good landlords or not-so-good landlords. Everyone would be painted with the same brush.

Bill 4 turned this investment into a nightmare and a financial disaster for most of the investors. Instead of breaking even in two years, now it will take nine years. Instead of losing \$165,000 before the project would have broken even, now it will lose \$1,157,000, and if the group would consider a return of 10% on the down payment, we would have to add another \$495,000, which will bring the total loss to \$1,652,000 in nine years. By the way, the

monthly rent for two bedrooms in this townhouse project is only \$485, including all amenities except heat.

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On top of all this, the Residential Rental Standards Board has written more than 15 letters demanding that the landlords have 45 days to make all necessary repairs, such as replace the leaking roof and change all the windows and doors that need to be changed, for a total cost of \$280,000 to \$300,000.

The investors took action to arrange a loan and get the work done. That was only until Bill 4 came to light. At that point, the lending company, due to the effect of Bill 4, withdrew the financing commitment, and the proposed new windows, new roof and repairs had to be shelved because the owners do not have any more funds to invest in the project, nor can they borrow more money on their houses. Two of them lost their jobs due to Bill 4's destruction of capital expenditures on apartment buildings.

In conclusion, the standards board demands that the windows and the roof be replaced and repairs be done. The tenants complain that they want the work done. The financial institution refuses to lend due to Bill 4. The landlords do not have any more cash to do the repairs. Maybe the minister, Mr Cooke, has a solution to solve this problem.

Scenario 2: It is a 155-unit apartment building on Rebecca Street. It was purchased in 1989 for \$5,756,000, with a down payment of \$956,000. Based on Bill 51, the building should have broken even in 1992. The owners made the repairs that all tenants asked for in writing. The owners applied to the rent review board for a 10% increase, which has been awarded, together with two phase-ins of 5% plus the annual minimum allowed.

The NDP came along and wiped out all the rent increases, leaving the building owners in a financial mess. Now, based on Bill 4, this building will break even in the year 2008. It shall accumulate a total loss of \$1,157,000, that is, if the owners can afford to keep it that long. Further, this building is 23 to 25 years old and needs a new roof and windows. At a cost of \$500,000 to \$550,000, I ask this committee: What would you do if you were in this position?

We have heard so much from the NDP about flip and flip, and to date, to the best of my knowledge, they have not been able or willing to give a definition of how many properties an individual or a company has to buy and sell to be classified as a "flipper." In my management company, with a portfolio of 45 to 50 buildings, since 1981 to date only three or four small buildings have been sold. Are these owners classified as flippers or as long-term investors? Would the minister, Mr Cooke, once and for all clarify his definition of a flipper?

I am tired of hearing about marble floors, microwave ovens and luxury expenditures. I can speak for my company that no repairs and no capital expenditures are done in any of our projects unless the tenants request of us in writing the repairs they want done. We always inform the tenants in writing of the capital expenditures that need to be done, and we ask for their input. I believe that the majority of the owners are doing the same.

Therefore, it is my opinion that flipping and phantom marble floors and the high rent increases are only a poor, detestable excuse for the NDP to hide itself behind. In the process, they make property owners look like criminals.

The Acting Chair (Mr Abel): I am sorry, Mr Megna, your time is up.

Mrs Y. O'Neill: Mr Chair, as Mr Megna was only partway through his presentation, he may use our caucus's time.

The Acting Chair : The Liberals are giving you an additional three minutes.

Mr Megna: In Ontario we already have seen quite a few bankruptcies. Several mortgage companies have taken over several apartment buildings and they are now in a mess. Should this trend continue, the tenants will not look favourably on the NDP government.

I believe that living accommodation is a right. However, this right should not be exercised only at the expense of the few thousand landlords. Rather, it should be the responsibility of the Ontario government and our taxpayers. I believe the needy, and I mean needy, tenants should be financially and individually assisted. It is not right that all tenants are lumped together regardless of their financial position and have the NDP government demand that the landlords assist them with lower rents, while some of the tenants drive in, in my apartment garages, with a new Porsche and other cars like that, while other needy tenants are destroying the hallway carpets with shopping carts. Is this fair? It is time the NDP does some serious thinking and admits that its proposed Bill 4 will not work and will hurt the very same people it is trying to protect.

In the name of fairness and equity, the minister should implement the following: (1) remove the unjust retroactive proposal; (2) allow applications and rent increases including phase-ins and capital expenditures that have been submitted under the old legislation; (3) that Bill 4 apply to, and only to, buildings purchased under Bill 4; (4) develop a guideline to allow legitimate capital expenditures; (5) take action to provide incentives for the owners to maintain the rental stock in good repair and build new ones; (6) develop a program to give needy tenants financial assistance only if they are paying more than 30% of their total yearly gross income.

The Ontario government should allow conversion of rental units into condominiums or co-ops, all tenants to have the first right to buy their units or stay as tenants as long as they want. In the case where tenants can provide proof that they cannot afford the down payment nor the monthly payments, the government should give a loan secured by way of a mortgage on the unit itself at lower interest rates.

The above will give the following results. It gives the opportunity to tenants to become proud owners of their own units and gives them the ability to maintain their units as they best see fit. It will give the tenants seed money to start building a residence of their own for their retirement. It will give tenants the power to make decisions and take action in the upkeep of the whole complex. It will prevent good buildings from turning into slums.

I have many more suggestions, but the time actually ran out. I thank you for giving me the opportunity to express my point of view.

Ms M. Ward: You are an owner and a property manager, correct?

Mr Megna: Yes, I am.

Ms M. Ward: You own some buildings yourself. What would be the largest rent increase in those buildings over the last four years?

Mr Megna: On average, of all the buildings we are managing or partly own, in the last four years I would say it worked out between 6.5 to 7%.

Ms M. Ward: That is an average, but what would be the largest increase?

Mr Megna: The largest, to the best of my recollection, was about 17%.

Ms M. Ward: Are there are any outstanding work orders on your buildings?

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Mr Megna: Obviously there are, as I mentioned before. In one project we have received already about 15 letters from the ministry stating that it wants us to install a new roof and new windows. We were willing to do so, except that the financial institution says, "Based on Bill 4, this building can't even carry the amount of mortgage you have on it right now."

Ms M. Ward: You did not have any outstanding work orders prior to the introduction of Bill 4?

Mr Megna: There are always minor work orders in most of the buildings, such as fire prevention, but it is minor stuff.

Ms M. Ward: Those are from the property standards branch of the municipality. Do you mean you would not contemplate doing these improvements without getting the work order?

Mr Megna: No. What I am saying is that if there were work orders for repairs, those repairs have been done. These work orders are now for major capital expenditures, to the tune of about \$300,000 in one of them.

Ms M. Ward: My point was that I would expect as a major property owner that you would be ahead of work orders, that you would not get in a position where you would have a municipality hand down a work order to you.

Mr Megna: We are ahead of the work orders for repairs, but we cannot be ahead of work orders for new roofs and new windows. The reason is that this is not part of maintenance. With those things, it happens that you have to change, in most instances, after 15 to 20 years, so you cannot be ahead of those. These are just wear and tear within X number of years and you cannot do anything about it.

Ms M. Ward: I am not disputing the need to repair elderly buildings. I was saying that I did not think you would have to wait for a municipality to give a work order.

I have one other question about evictions. Have you ever had to evict people for economic reasons?

Mr Megna: Not to the best of my recollection. Some of them might have left, but we did not evict them.

Ms M. Ward: You have not evicted anybody because they have not been able to pay their rent?

Mr Megna: To the best of my knowledge, no, but there could have been. I cannot say.

Ms M. Ward: For any other reasons such as a spouse or a mate moving in with someone in a one-bedroom apartment?

Mr Megna: Managing a portfolio like ours, I am sure this must have happened. How many, I do not know. It is impossible for me to know how many, but I am sure not that many.

Mr Tilson: You are obviously, from your report, a qualified expert in the real estate industry. I have a question that I suppose arises from a story in the Toronto media over the weekend. It brought to mind the question with respect to work orders. There is a building in Toronto—you have probably heard the story—which was in terrible shape, with substantial work orders against it. The owner applied for a reassessment and there was a reduction of in the neighbourhood of \$450,000. It was a substantial reassessment. I guess my question to you is whether you think this is an isolated act or whether this type of thing could occur more and more in affecting our property tax structure as a result of perhaps implementation of Bill 4 or other restrictive legislation like it.

Mr Megna: Based on my past experience I would say that this did occur on a few occasions prior to Bill 4, but I can assure you that with Bill 4 we will see that happening more and more on a daily basis, because if landlords purchased the building in the last year or two or three, in most instances they just cannot go ahead and make those capital expenditures. So we will see these work orders coming more and more.

Mr Tilson: In other words, you think there will be more and more work orders issued.

Mr Megna: Definitely, yes.

Mr Tilson: I am looking at your recommendations. Recommendation 5, which I will not read—I am interested in encouraging land owners to maintain their buildings. How do we do that?

Mr Megna: Due to lack of time I will try to explain it as briefly as I can. What I am suggesting in recommendation 5 is to provide incentives to owners to maintain the present rental stock and to build new ones. I am saying that maintaining the present rental stock is much cheaper than building new ones. It can be done by allowing landlords to get a fair rent increase so that they can maintain those buildings and improve on them. I appreciate that the NDP has proposed giving \$15 million for improving properties. However, that is merely a drop in the bucket. They are talking about \$15 million. What is \$15 million to free enterprise when a small company like mine has costs of \$1 million dollars and more in capital expenditures? If we multiply that by the thousands of landlords with the same thing, that \$15 million the NDP is proposing—take 15

property management companies like mine and it is wiped out already.

The Acting Chair: Your time has run out. We appreciate your presentation, Mr Megna. Thank you very much.

HAMILTON-WENTWORTH AND HALTON COALITION OF TENANTS ASSOCIATIONS

The Acting Chair: The last presenter of the day is the Hamilton-Wentworth and Halton Coalition of Tenants Associations. Could you please come forward? As an association, you have been allotted 40 minutes, which will give you 20 minutes for your presentation. For the sake of Hansard, as you speak would you introduce yourselves, please?

Mr Scarlett: My name is Emmett Scarlett. I am the chairman of the Mountain View Apartments Tenants Association in a building which I have lived in for 21 years, and I am also here today as the spokesperson for the Hamilton-Wentworth and Halton Coalition of Tenants Associations. We are a just-formed association in January. We felt the need, since Bill 4 came out, to act as a united front in such an important matter as legislation that is going to affect the condition and the availability and the affordability of housing for thousands of people for years to come.

Since we formed, we represent 1,625 apartments already, which is a very small number of the 6% provincial total Hamilton represents, but we are growing by leaps and bounds. We have, as I said, taken Halton into our jurisdiction as well at the request of people who live there.

I am glad to be one of the last speakers today. I would like to say to the committee that it is probably a good job that a number of people who addressed you today were not under oath, because we have seen a fair number of misrepresentations. I am glad we are here for 20 minutes, because we were afraid we were only going to get 10 and we were all geared for the 20 and thought that we would not have time to present it.

The speakers Italo Gallace and Bruno Megna, whom you just heard from, are in fact really associated with the same company, Megna Real Estate. I believe they are also related. Italo Gallace claims not to be involved with any building receiving over a 12% increase, yet they control a building at 11 Catalina Drive, a 28-unit building which has received a 55.8% increase in the rents over the last four years. It is at the point now where some of the tenants who live there—and it is a building that has elderly pensioned people or single parents or people on fixed incomes—are going to have to get out because they cannot stay any longer.

In 1987, they got a 10.38% increase on order, in 1988, they got a 12.13% increase on order, in 1989, they got a 16.73% increase on order, and in 1990 a 16.56%, totalling 55.8% over four years. One of the apartments suffered this hardship: Number 101 went from \$289 in 1986 to \$465.24 this year. Another apartment, 306, went from \$295 in 1986 to \$529.82 in 1990.

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Mr Sawchyn, who represents our landlords as a consultant, was asked by somebody if there are any people abusing the system. Mr Sawchyn recently represented the

management of the building that I reside in, in an application for rent review and an equalization. The act clearly states that a maximum of \$25 per unit can be charged for the consultant's fee. Yet on the submission for the rent review he had put in a charge of \$5,000 for 110 units. Any child who can do mathematics knows that, count that, it comes out to \$2,750, not \$5,000. Yet the rent review board will tell you that they do not have the manpower to check all these figures, and unless there is a prudent tenants' association that will take the time to check on these things, you do not even discover that these things are—

The Acting Chair: Excuse me, sir. Can I interrupt you for a second?

Mr Scarlett: Yes.

The Acting Chair: I would like to caution you that although the members of this committee are granted immunity from libel or slander, witnesses are not. So I would caution you, please, sir, to choose your words carefully.

Mr Scarlett: I am only stating facts.

The Acting Chair: Thank you. It is only a caution.

Mr Scarlett: Also in our recent submission, there were bills that did not even apply to our building. This is just one example where the rent review system that is currently in effect is not adequate and it does not protect the tenant, and it probably does not represent the rent system fairly on either side.

We are in favour, as a coalition, of Bill 4 because it is a firm and decisive step forward. It is a stopgap giving time to clear up many of the back orders that are still outstanding. It may not be perfect, but certainly neither is the legislation that is in effect right now. Much input is required from all groups, not just landlords and tenants, but housing for the poor, all groups, is required to make good, solid, fair and lasting legislation.

One thing I must stress is that whatever legislation is brought in must include a hard look at the overinflated current prices of buildings due to flipping. Our building has changed hands four times in five years. Just recently a phase-in was allowed our current landlord, who just assumed the building a year ago December, allowing a hardship that the previous owner had suffered, and yet the previous owner sold to this owner for \$1.4 million more than he had purchased the property for 18 months earlier. That does not seem like a financial hardship to me. Yet nothing of that comes back to the tenant.

All the repairs that are done are done currently under the system ad infinitum. They go on and on and on. There is no amortization and then a reduction of the increase allowed for that. There is currently before the Ontario courts a matter that has been left for a reserve decision, and we are hoping that it is in the favour of reflecting that these amounts that are amortized must then be reduced from the continuous rent, because tenants just go on and pay for ever and ever for the same things.

Many of the landlords who talked to you today have made a big deal over the retroactivity of the current legislation proposed, Bill 4, yet the 1986 act that came in had many retroactive effects for over a year and even sometimes longer. In many cases it was over a year and a half.

Now they are not too happy, but because it benefited landlords back in 1986 you did not hear very much of an outcry and you did not hear any question—I even heard a question today of the constitutionality of it. They did not question the constitutionality when it was in their favour.

I would like to close by saying that I am happy that this is a committee of all parties because I think all parties represent all phases of Ontario tenants, and we need a committee representing all parties to work hard and be dedicated to bring up some legislation that will benefit everybody, because fair, equal housing—as fair, equal investment—is a right that everyone deserves.

I would like Lynn Hadfield now to talk to you.

Ms Hadfield: My name is Lynn Hadfield, president of the tenants' association for 2520 Barton Street and 45 Barlake Avenue, Hamilton. Our association handles a two-building complex totalling 290 units. Our landlord resides in British Columbia and has a very difficult time accepting or complying with orders issued from the rent review services and the laws of this system, as I will point out to you later. He also refuses to acknowledge or pay orders for section 95s filed by tenants for rent rebates owing them. In all cases tenants were forced to recover their money through provincial court and the sheriff's office.

We are a prime example, after four years, of how the landlord was able to abuse the rent review system for his own means through extensions of time appeals, hearings and incomplete forms. After the landlord's appeals and frivolous extensions of time have been exhausted and orders set down by the ministry, he still refuses to comply or recognize said orders, leaving discouraged tenants having to hire lawyers at their own expense and go through district or provincial court using judges' valuable time for ministry orders to recover money owing tenants to begin with. Why not let the courts handle ministry orders, as the rent review system seems powerless when it comes to reinforcing its own orders?

Applications for rent increases are held over sometimes for a period of a year or longer. We are a perfect example of this. I could go into detail, but suffice to say the final result was after three extensions of time, four appeals, one pre-hearing and two hearings within a period of one year and three months, all due to the incompetence on the part of the landlord's representatives. A second order was issued in favour of the tenants on 24 May 1989. By the way, Sandra Kondo was property manager and agent for the landlord part of this time.

The chairman of the board at the time of some of these hearings was Dr Ray and she said herself this whole process was a farce. We feel the rent review system in Hamilton is biased against the tenants and I am prepared to prove this. The tenants' association is facing an appeal 6 March 1989 against the landlord. This is concerning a specific room that was to be given back to the tenants in an order dated 24 May 1989.

Our lawyer was instructed by Doug Hunt, present manager of the rent review systems, Hamilton, to obtain signatures for a rent reduction due to the loss of said playroom as the landlord converted this playroom into a rental unit, receiving \$675 per month. The association was given one

day to obtain 290 signatures, which was done on a petition. We felt we complied with Mr Hunt's wishes, with a great deal of work on the tenants' part, and submitted his request on time. The following Monday we were informed to our dismay that this was unacceptable to Mr Hunt as he wanted 290 separate applications signed by each tenant.

We requested an extension of time. May I point out this was the first one ever requested by the tenants. It was denied. Mr Hunt's request was not made clear to ourselves and our lawyer as to exactly what he wanted. We had no choice but to appeal this decision. Why, earlier, did I state "biased against the tenants"? Please recall I stated earlier the landlord received three extensions of time, four appeals, one pre-hearing and two hearings, when the tenants simply requested a couple of days to comply with something not made clear to us to begin with. This, to us, is an unfair system.

The tenants' association found it necessary to approach Bob Mackenzie's office to plead with him to look into our case on 17 February 1990. The landlord to this date still will not comply with an order dated 24 May 1989. Mr Mackenzie, on our behalf, has sent extensive research to three different ministers of Housing: Ms Hosek, Mr Sweeney and now Mr Cooke. To this day we are still waiting to resolve this case.

1730

On my request Mr Mackenzie's office arranged a meeting with London's appeals board in June 1990. The purpose of this meeting was to reassure the tenants that the order issued 24 May 1989, which is still outstanding, was a very important document and did have meaning due to the fact that the landlord refused to accept it as such and would not comply with this order. The result: frustrating and disappointing to the tenants, to say the least.

It was made very clear to us by the board that they were powerless and carried no weight when it came to reinforcing their own order. We as tenants felt an order is a very important document and should be treated as such, ignored by the landlord.

The rent review system is so backlogged with no reasonable time limit for applications that in the end the tenants are the ones suffering for this. The longer the application sits unresolved, the more money the tenants are expected to pay in backdated increases if it is ruled in the favour of the landlord. Hopefully, a rent freeze set down now will clear up the backlog in the system.

The tenants and the tenants' association for 2520 Barton Street and 45 Barlake Avenue are in full support of the NDP platform regulating rent control. We feel the 5.4% increase goes along with provincial inflation, keeping in check rental increases with our cost of living.

As it stands, the present rent review system does nothing to protect tenants from extraordinary rent increases, poor living conditions and lack of repairs. This same Residential Rent Regulation Act, 1986, allows amortization for landlords who abuse this system to cover periodic replacement of necessities. The present system allows for amortization for various years, but when its time is up, the rents are never rolled back.

The landlords are quick to slap large increases on the tenants year after year, but refuse to invest these increases to properly maintain their own property. What happens when a building is remortgaged and large equity is withdrawn through the corporation? Our point is, where is the reinvestment?

It is certainly not put back into the property.

Example: landlords applying for extraordinary mortgage interest increases. In the past six years our building repairs were very inadequate, often resulting in major problems costing far more than need be. We feel there was a blitz of spending on cosmetic repairs in the past few months prior to the landlord's application for rent increase. Being a fact of recession, we, the working people, low-income families, senior citizens and families on fixed incomes are all on limited cost of living increases. Our rents must align with COLA.

Twenty-six thousand more people were jobless in the month of January 1991 in Ontario. Welfare applications are up 50% more from one year ago.

Without a viable and working rent review system, landlords have been and will continue to line their pockets at the expense of their own tenants through unjust, illegal rent increases. They must be held responsible for their own actions, so we implore you to please revise the present rent review system. We support Bill 4 as a place to start.

The NDP is for the people. Please listen to the desperation of all tenants begging you to put a stop to these money-hungry landlords who are abusing an outdated system of rent review. Tenants are finding it very difficult to cope with rising costs and unjust rent increases. Thank you for giving me the opportunity to speak on behalf of the tenants.

Mr Scarlett: Now Sharon Laffrenier from the Hamilton Against Poverty Group.

Ms Laffrenier: Hello. My name is Sharon Laffrenier. I chair the Hamilton Against Poverty Committee. It is composed of people from our local social service agencies, tenants, low-income people and interested citizens. We are an action-oriented group that acts on issues that will be harmful to the poor.

We were first formed in August 1987 as part of a growing antipoverty movement across the province of Ontario. Among many other activities, we have undertaken to advocate for people living in poverty. We have spoken to committees like your own about the conditions of rental housing and the lack of affordability of rental housing. Many of our members, the poor, already spend 50% to 70% of their incomes on housing costs.

The lack of affordable housing is a major impediment to alleviating the cycle of poverty. The vacancy rate in Hamilton is 0.4%. Unemployment and poverty in Hamilton will be further aggravated by rent increases. Approximately 20,000 people must utilize food banks in Hamilton in a month. At the regional housing update public hearing, many people complained about the approximately 10,000 illegal duplexes that the government was unable to control. Their concerns were the conditions of these homes and their absentee landlords. Our concern is the people living

in these homes. They do not choose to live this way. Lack of affordable homes is their enemy.

Many tenants are vulnerable and at the mercy of landlords. The laws are not working for the poor. These divisive strategies in turn have been reinforced by ideologies that promote selfishness and greed. Some organizations have had to re-evaluate their facilities to accommodate people who cannot afford shelter in the Hamilton region. Shelter is a necessity of life which is used to exploit and abuse the poor.

Many people are losing their homes as they cannot afford the high rents. Poor people have become prisoners of abuse that they have no control over. As an example, a single mother of three children has reported that while living in a home infested with mice and cockroaches she was distressed because of poor living conditions. She complained to the health department and the landlord. The landlord was able to use a loophole in the Landlord and Tenant Act to remove this tenant. Another single mother reported she paid 70% of her income for rent. The landlord has sold the property and she no longer has a home. She is presently seeking housing.

High rent increases should be unacceptable in our society. If a tenant is in need of repairs or renovation, the tenant may take the landlord to court if the tenant can afford the legal costs.

The government should protect the tenant. There are homeless people living in the Hamilton region. Homes should be as water, a God-given right.

Our recommendations are to maintain rent controls; we understand that in Toronto it has been suggested that capital reserve funds be set aside. We recommend a percentage of revenue also be available to protect people living in substandard housing; the government acknowledge affordable housing as a fundamental right; housing be classified as a necessity of life and can no longer be used to strip a person of personal dignity; tenants be included in meaningful and effective participation in decision-making of renovations of rented property; the main objective of rent controls should be affordable housing in our community, and therefore a ceiling should be put in place. Thank you.

Mr Scarlett: Do we have any time left?

The Acting Chair: I am sorry. I allowed you almost an extra minute.

Ms Poole: Thank you for your presentation to our committee today. You made the comment earlier in your presentation—I believe it was Mr Scarlett—that Bill 4 is not perfect, but that it is better than what we have now, if I am quoting you correctly. I agree with you that Bill 4—

Mr Scarlett: I do not think I said that it was better than what we have now, but I said that it is good because it gives us that stopgap and breathing-space to clear up the backlog and to bring in new legislation that will address all the matters that are wrong with the last system.

Ms Poole: What I was going to address with you and to you is the fact that the purpose of this committee is to take a look at Bill 4 and find ways in which to improve it. We will never make it perfect, because I do not think there has ever been a piece of legislation that has been created

that is perfect, but hopefully we can improve it and I see ways in which it should be improved both from a landlord's perspective and from a tenant protection perspective.

For instance, you mentioned the cost-no-longer-borne factor, which means that if a capital expenditure has been paid for through the amortization period, right now the way the system is in place the tenant continues to pay for that capital expenditure through rent increases, even though the capital expenditure has already been paid off by the landlord. So I would like to see a cost no longer borne factor in Bill 4. Do you believe that that would improve this temporary legislation?

1740

Mr Scarlett: I am not sure that we can bring everything into Bill 4 right away. My understanding was that it was a temporary piece of legislation while everybody got together and tried to put together a much better bill than we have now. What you are saying is certainly a valid point and I am 100% in agreement with it, but I do not think that we can take the time now to include everything that should be in the act because the bull has to be grabbed by the horns to put some kind of a stop on what was happening until the new legislation comes in.

Ms Poole: Perhaps it would help if I told you that it will not delay this legislation by one day in order to make improvements and add other things to it. We have had tenant groups who have come before us who have talked about inequities they see in the system that they would like addressed and addressed fairly quickly: for instance, tenants living in substandard conditions; for instance, the fact that Bill 4, while it does put a freeze on the rents, which is very attractive to tenants, at the same time does not do anything to the landlords who are, in many people's opinion, if not abusing the system, certainly take excessive advantage of the current law.

It does not do anything to penalize that situation. What it does in a blanket way is to say that all landlords are abusing the system, therefore we have to stop them in their tracks, and I do not believe that is happening. I think there are good landlords and there are bad landlords, and what I would like to see is the bad ones put out of business and the good ones encouraged to communicate with their tenants and to do necessary repairs and to keep rent increases reasonable.

That is what we are grappling with, but you do not see that there is any room for improvement of Bill 4 even as a temporary measure?

Mr Scarlett: No, I agree 100% that there is certainly room for improvement and taking into account the fact that you have said that it will not delay the passage of the bill by any length of time, then any improvement that anyone surrounding these four tables can come up with that will make it better than it is already would certainly be welcomed by everybody around these four tables.

Ms Poole: To précis, you would have no objection, in fact, you would welcome some of these changes, as long as it does not delay passage of the bill?

Mr Scarlett: As long as it does not delay it.

Mr J. Wilson: Thank you very much for your presentation. Going back to the last witness, I think the problem we have in this province is—you have hit it—that there is agreement that housing should be a fundamental right, that agreement has come, is now, but we have not in the past put the process in place to ensure that we can fulfil that right, so we are caught right now.

I think part of the problem we have with Bill 4 is that it does not really address that. I can understand where the government is coming from the point of saying it puts a hold on things, but what do you do when you have had rent controls for many, many years, you are seeing very, very low vacancy rates, you are hearing landlord after landlord coming before this committee saying that if this bill goes through with its retroactivity, which they find to be very punitive, they may get out of the business?

I just wonder, is there agreement among the three of you that the government really should be moving in and providing housing? Because if it is going to be a fundamental right, it will have to become a major social program and it will be very, very expensive to the people of Ontario. All the major social programs we have had in the last 15 years, even the insurance programs, have difficulty paying for themselves, and we see the federal government in terrible trouble with the deficits.

Is that agreement the bottom line, or do you see we can keep going with rent controls of some sort which do not seem to be working very well? I think we have to be honest with the public. We have to say to them, "Look, I think we'll have to go to a more socialist model of saying it is a fundamental right and people below a certain income or percentage of gross income have a fundamental right to that."

Mr Scarlett: Housing is a fundamental right, and it is also a fundamental obligation of the landlords who are out there and who are renting what Ms Laffrenier described as illegal duplexes, that these landlords, realizing that their premises are only going to attract the low-income people, should still not be allowed to get away with murder, knowing that they can rent almost in any condition to these people because they are in such desperate need of housing.

We need some kind of policing there. I am all in favour of tenants' associations being good policing associations to check on these landlords, and we need involvement by many more people than we have now. The landlord does have an obligation too, when he puts up a rented premise, that it be, you know—why do we have a standards bylaw in the province?

We are at the mercy of the city building department too. Our building was just done over with the assistance of an \$800,000 low-rise rehabilitation grant, and the city building inspector stood right in front of me and other tenants and said, "It's for me to decide whether that's a crack that needs repair or not." Every crack should be repaired, if it is a major crack. There should be solid standards out there that they all have to abide by, but I think tenants and the landlord and the government have an obligation to police housing.

Mr J. Wilson: Mr Chair, I just want to make a point also in response. I do understand from the second presenter—I had a case in my own riding, in fact, I am a tenant and it is the building I live in, where some of the former tenants are owed money and there are no teeth. I do very much understand that from a personal point of view, in the law. They are required to go to court and it is a lengthy and expensive process. But I was wondering, in your case, did the order not provide that they could also withhold their rent?

Ms Hadfield: No, it did not. This started in 1988 and we have exhausted the rent review system completely. We are at a point where we say, "Just what do we do now?" We cannot turn to anybody for help because now we have to go and take it out of our own pocket, go to district court, pay the money to get our money back, and it is costly to each—I have 290 units. That is a lot of tenants. A lot of them just do not have the money to go through court.

I mean this is an order. We cannot understand this. Why can it not be reinforced? What is the sense in issuing it to begin with? What is the sense of the whole rent review system? It is a waste of time from what we have been through. It has been a nightmare. It has not helped us at all. We have been fighting and fighting and fighting for three years; we are nowhere, and nobody will help us, nobody. It is, "Sorry, we can't do a thing." That is not good enough for us. We have won this case twice. We have had two separate orders. They want their money. The landlord wants rent increases just like that, but he is not willing to pay these people the money he owes them back to 1985. We are completely, thoroughly fed up with the rent review system. We have exhausted it. Give me an answer. What do we do now?

Ms Harrington: Thank you very much, Ms Hadfield, for letting us know very clearly how the rent review system is not working. I want to reassure all of you that the government is going to move as quickly as possible; in fact, next Monday the discussion paper is coming out and you will be getting a copy. I want everyone who is interested to go through it and let us know which options you would choose and give that information back to us.

We are hoping to move as quickly as possible with this, to get it into legislation, but we will not compromise the consultation process, which is going to be going on all spring and summer.

I just want to also reassure you that the item of costs no longer borne being included in rents is something that we want to look at and eliminate.

I am very glad we came here. I used to be a tenant in Hamilton some long years ago and it is really nice to be back here and see the town again. You are making clear to all of us that the problems of rent control and tenants are not just in Toronto. You would agree with that, would you?

Ms Hadfield: Yes.

1750

Mr Duignan: Thank you, again. You have a good grasp and knowledge of what we are trying to do in relation to Bill 4 as a breathing space while we introduce apartment rent control legislation, and I may say, much

more of an idea what we are trying to do than some members of the opposition.

You indicated that your building was sold four times in five years?

Mr Scarlett: Yes, sir.

Mr Duignan: Could you give us some idea of the increase in rents resulting from that?

Mr Scarlett: We have had several applications before the rent review. I do not have my file in front of me right now. I have lived in the building for 21 years and they have always been seeking a somewhat larger increase than what was allowed by the guideline, although many times they settled for the guideline. This phase-in that I referred to that was just handed down to this current landlord was taken in option to requests for rent review that they had put in because the property was sold before the rent review hearing even came to light. I even questioned why, after the property had been sold to this numbered Canadian company now, we could receive a letter in the mail telling us that the previous landlord had opted for a phase-in for the financial hardship when already the property had been sold. But that is the way it came to us.

When the rent review handed down the phase-in, it was addressed to the previous landlord, not the current landlord, and we were totally amazed that this kind of thing could happen. So our rent increases have spiralled. When I first moved in there 21 years ago, I paid \$140 a month. I now pay over—well, I do not pay—but the legal required rent is over \$600, but because of incomplete forms being filled out and concessions being made, we have not reached that limit yet.

We received an order on 8 January for this last application and just prior to 1 February the superintendent came around with the proposed increases for 1991. Then on 1 February we received an amended order to the order of 8 January, stating that due to a clerical mistake on the part of the rent review office, they had omitted financing charges

for a second and third mortgage. So instead of the 12.6% we got on 8 January, we wound up now with 15.8%.

To add insult to injury, as I said, the superintendent brought these increases, stating they wanted 5.4% on 1 May 1991. Now that is fine, because that is the guideline that was set out, but we begin to hear the horror stories. The little old lady around the corner from us, who does not have the guts and gumption to get up and speak for herself, her increase is filled out for 6.9%. We called the rent review office staff and asked them if this was legal and if they had another application for increased rent. They told us no application was on file for greater than the 5.4%, but it still exists there.

They just got equalization in our building, and we understood that equalization was all apartments of the same size would pay equal rent. But what happened in this equalization, and we are going to appeal the order, is they took every one-bedroom apartment and now they are all the same price, and we have five different sizes of one-bedroom apartments. So the current system really is not working and the rent increases that we have had over the years are not really fair.

Mr Duignan: Just one quick question. Do you think it is fair that tenants should pay for the financing and purchasing of buildings?

Mr Scarlett: No, because if I go out and buy a car, I do not ask who rides in it to pay for it.

The Acting Chair: Sorry, the time has run out. Thank you for your presentation. That concludes the hearings for today in Hamilton. I would like to thank all the presenters today and, on behalf of all the members of this committee, I would like to say that it has been a pleasure to hear from the people of Hamilton and the surrounding area.

Please be advised that we will reconvene at 10 am tomorrow, room 151, in Queen's Park. We stand adjourned until 10 am tomorrow.

The committee adjourned at 1756.

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Amendment Act, 1990

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Première session, 35^e législature

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Le mardi 12 février 1991

Comité permanent des affaires gouvernementales

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la réglementation des loyers
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Tuesday 12 February 1991

The committee met at 1009 in room 151.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Acting Chair (Mr Mahoney): I call to order the meeting of the general government committee. Our Chairman is unfortunately tied up in his riding and cannot be here this morning, so I will begin the meeting. We have a number of deputations and we have fairly strict rules. We want to stay to the time as close as we possibly can. We are about 10 minutes behind schedule already.

CONCRETE RESTORATION ASSOCIATION OF ONTARIO

The Acting Chair: Our first deputation is the Concrete Restoration Association of Ontario. I ask that group to come forward to the table in front of the committee. We have set aside 20 minutes for your presentation and then 20 minutes for questions by the committee. It is now 10 after 10. We will give you until the half hour to make your presentation and then we will go to questions. Perhaps you could begin, for the purposes of Hansard, by introducing yourself, your lead presenter and everyone who is with you at the table.

Mr Eckardt: I am Ian Eckardt, president of the Concrete Restoration Association of Ontario.

Mr MacKay: Bill MacKay, with the Concrete Restoration Association of Ontario.

Mr Litvan: Gerard Litvan from National Research Council.

Mr Savasta: Guy Savasta from the Concrete Restoration Association of Ontario.

Mr Eckardt: The Concrete Restoration Association of Ontario was established in 1985 in order to facilitate a new industry trying to solve a new problem. The association is made up of contractors, materials suppliers and engineers specializing in the restoration of building structures.

Specifically, we repair deteriorated parking garages, roads and bridges. We work for governments and the private sector in protecting Ontario's infrastructure. There are 39 companies in our association. Up until the tabling of Bill 4 we accounted for approximately 1,500 to 2,000 jobs, including tradesmen, engineers and suppliers. Our industry does about \$100 million worth of business in Ontario each year.

I want to make it clear that we are not here to argue for landlords' interests or for tenants' rights or to advise you on the appropriate level of rent increases in the province. Rather, we are here to advise you of the effects of Bill 4, not just on our membership but on tenants and their safety.

Ladies and gentlemen, Bill 4 is not in the public interest. Inadvertently it imposes a risk to public safety, and even though the legislation is temporary, its effects will not be temporary. Let me be clear: Unless this legislation is changed, people will be put at risk. It is that simple. I will elaborate on this very serious statement in my remarks that follow.

I will now briefly explain why concrete restoration in parking garages is needed.

Most deterioration of concrete arises from rapid rusting of the reinforcing steel in the concrete. This is caused by the progressive accumulation of salt in the concrete itself. The root cause of this problem is governments' clear roads policy and the application of road salt, which is carried by automobiles into garages. At the molecular level salt begins to penetrate concrete and commence the corrosion process. A ready example can be found on the Gardiner Expressway. The deterioration of that structure is caused by the same process of deterioration as in parking garages.

This is a new problem that was not anticipated or even imagined when many of the buildings we see around us today were constructed. Prior to 1978 the occurrence of such difficulties in garages was limited to perhaps one or two a year and then progressively the problem began to grow.

Much of the building industry did not know of the problem until 1983 and CMHC itself did not fully understand the destructive process that was at work until 1985. By the time the importance of the problem was realized, the salt content of most garages was well above the threshold level at which corrosion is caused. Municipalities only began to inspect for such deterioration between 1984 and 1986. Then by 1987 the Canadian Standards Association published a standard for the design, construction, and maintenance of new parking structures. In that same year a committee was set up by CSA to develop a standard for the restoration of existing structures and it is still meeting today.

In terms of the scope of the problem, I want to quote from a Ministry of Housing, Ontario buildings branch, July 1988 report on this phenomenon which indicates more than 3,000 structures are affected. I will make copies of this report available to you.

I quote: "It is now evident that deterioration of concrete parking garages is occurring due to the rapid corrosion (rusting) of reinforcing steel caused by the progressive accumulation of salt in the concrete. It is now generally accepted that the standards and practices applied until recently in the design, construction and maintenance of these structures are inadequate to ensure their satisfactory service and performance. As a direct consequence the majority of existing parking structures are subject to rapid and progressive deterioration, which may result in localized and unexpected

structural failure unless repairs are carried out. Of particular concern are the roof slabs of underground parking garages."

Let me quote the report again: "Structural integrity is of prime concern in evaluating deterioration of garages. If impaired it must be restored and steps instituted to maintain the structure in a safe condition. Structural distress may be defined as a condition where one or more elements of a building are so impaired that the structure's ability to carry its designed load safely cannot be assured."

If the committee will bear with me, one final quote from this report so that you will fully understand the problem:

"The more experience accumulated, the more uneven results are found to be and less assurances felt about the effectiveness of treatment methods thought to represent 'state of the art.' There is no simple answer to any one problem and since each parking structure usually has several different conditions of deterioration, prudent and cost-effective treatment demands resolution of the many interlocking technical and economic considerations."

I hope these quotes coming from the government give you an unbiased picture of the dimension of the problem and its cause. The government has committed millions to address the problem in public housing, and you, better than us, can assess these specifics.

I hope as well that you understand clearly from what I have said that this is not an issue of routine maintenance. No amount of minor maintenance, as opposed to rehabilitation, could deal with this phenomenon. Waterproofing, without major restoration, only prevents the ingress of more salt and water but does nothing to restore the integrity of the structure.

Because the salt-induced deterioration was not foreseen until the mid-1980s, the concrete in almost all garages contains salt and requires continuous periodic restoration or complete replacement. As well, because salt is not consumed in the corrosion process, the problem is and will remain with us throughout the service life of the building unless complete replacement occurs.

That is the problem. In terms of the solution, I am sure you can appreciate it is technical and complex and costly. It is major rehabilitation. I will not distract the committee by explaining the complexity of the restoration process itself, but for the purposes of your understanding let me advise you that the cost of a typical apartment garage repair ranges from \$6 to \$40 per square foot. Thus, for a garage with 150 parking spaces, the cost can vary between \$360,000 to \$2.4 million. A large part of this cost is for labour, as about 20 to 25 people would be employed on such a project for four to five months. In a very large complex, costs can run above \$10 million or \$20 million. In some of these jobs the equipment used, such as a hydro demolition machine, costs \$1 million per machine.

Finally, and this is important, this work is not solicited by us. It is work triggered by an astute building manager or by a public official's inspection and followed up by a professional engineer's report.

In short, it is necessary work that must be carried out in the interest of public safety, or if it is not, garages will deteriorate and collapse and in severe situations where garages

form the substructure of an apartment building, entire buildings could collapse.

I hasten to add that to my knowledge no garages have collapsed in Ontario which have in turn caused a building to collapse. We do not want to be alarmists about this situation, but we are concerned that Bill 4 may have a detrimental effect in this regard.

I cannot say tomorrow this or that structure will collapse, nor can I say that this will occur in six months or a year, but I can say that when we know of a risk, we must act to protect the public.

I hope this explanation clearly differentiates our work from the debate I have read about in the media over marble lobbies and kitchen countertops.

Our industry has evolved significantly in the last few years. As awareness grew, understanding grew and technical expertise paralleled this growth. In truth, in the early years we did not know the extent of the problem we were dealing with, but we learned. As we learned, an industry emerged and with it the skills and knowhow to do the job.

As an aside, those expensive hydro demolition machines I mentioned were first adapted to parking garage restoration use in Toronto. We now have about 17 machines operating in this area alone and we have developed an expertise in this province that is truly at a world-class level.

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Recently our engineering and contracting ability has been successfully exported outside of Canada, and since we are dealing with a truly worldwide concern in terms of the deterioration of reinforced concrete, we have something to offer not only the citizens of the province but the rest of the world.

Let me now explain to you why Bill 4, which is supposed to be only a temporary measure, will in fact bring lasting harm to our industry and to tenants.

Within days of the announcement of this bill, over 42 major structural concrete restoration projects were cancelled by building owners and managers. As a consequence, 414 jobs have been lost.

Again, I want to stress for the committee that I am not engaging in idle rhetoric. I have read reports of some who have questioned the job loss figures associated with the legislation, saying the figures were overstated or due to the recession. That is simply not the case. These needed repair jobs were cancelled and these needed jobs were lost as a direct result of Bill 4.

The difficulty Bill 4 poses is that the jobs may not return, or if they do, return too slowly to meet the need. Our industry is changing, growing and dynamic. The requirement for our skills lies elsewhere if not here. Million-dollar equipment cannot sit idle for months. Where possible, our members are seeking work outside the province and outside the country just to stay in business.

More important, the jobs and the technical expertise that have been built up over the years have already started to disappear. The workforce too is mobile, as you must know. When a person with the skills of the people we employ loses his or her job, the individual is not going to sit by and wait for further legislative changes. He or she

will move. Some already have gone and more will follow. Our workforce and its expertise are being scattered as we speak.

I hope the members of the committee understand this issue fully and I will welcome questions on it. The point I am trying to make is that if you arrest the process and stop our work at this stage, it will take years for us to build workforce expertise back and again reach the level of technical competence we had achieved up until the tabling of Bill 4.

Years will go by, and yet during those years the effects of salt on the reinforced concrete will continue to act and the deterioration of apartment garages will accelerate. In the end the costs of restoration will be even higher. So while you can freeze rents you cannot freeze chemical reactions. Therein lies another risk to public safety from this legislation.

This is particularly true of projects that have been left half-finished because no one can pay for them under Bill 4. For these projects and others that need attention, Bill 4 removes the owners' ability to manage or to protect the property and the tenants by removing the ability to pay for the work. In fact, under Bill 4 an incentive will exist to postpone the work since it cannot be paid for.

When the work must be done the cost will be higher, whether tenants pay through higher rents, government pays or landlords are forced to pay, and in some cases cannot, in which event the lending institution which then owns the property pays.

Please remember that postponement of structural repairs like this, besides increasing the cost, reduces the time period between repairs and the time at which the condition of the garage is a safety concern and thus introduces an element of risk.

Other effects of Bill 4 are job losses, as I have described, potentially the bankruptcy of some of our members, the loss of an Ontario-based export technology, and ultimately increased costs, as I have outlined, since the problems will get worse with time and time will be needed to rebuild our industry.

To conclude, we believe prohibition of our work through Bill 4 is inadvertent. We are not blaming government for this. We hope that with a fuller understanding legislators will recognize the need to get on with this important work in the interest of public safety. To do otherwise will put the public at risk and we cannot imagine legislators doing that.

In summary, will this committee recommend to the present government an amendment to Bill 4 allowing concrete restoration which is necessary to maintain the structural integrity of the apartment buildings to continue? As we understand the legislation, there is a provision to permit justified costs even during the freeze period, and we appeal to you to include this work in that category.

We welcome your questions.

Mr Cleary: Thank you for your presentation. I guess I have heard your concerns a few times before in the last couple of months, and some of that had hit very close to home because the apartment I live in went through part of this procedure last year. I know it is very costly. I know

you made some recommendations in summary, but you must have some other comments you would like to make further than what you said there.

Mr MacKay: I guess the main point we want to leave you with today as you consider this and other briefs is that with a minor amendment to Bill 4 we are able to put back hundreds, possibly thousands, of workers who lost their jobs by allowing uncompleted projects to proceed as they were before Bill 4 came in. By doing that in a time of a recession it is not going to cost one dollar of taxpayer money. If the work is deemed to be in the public interest, the public safety, by structural engineers and whatever, that work, we feel, would allow our industry to get its people back to work, not lose the valuable skills we have built up over time. Then we can participate fully in the next step, which I guess would be the permanent legislation.

Ms Poole: Thank you for your presentation today. I apologize for not being here. Mr Tilson and I were at a news conference in our capacity as Housing critics for our particular parties, so we were a little late. I have had a chance to look briefly through your presentation, though, and I noted a couple of areas where I think you have provided valuable information to our committee. One is the area of minor maintenance versus major maintenance.

We have had the opinion expressed by some members of this committee that on something like underground parking garage rehabilitation, for instance, a lot of it could have been prevented if the landlord had taken proper care and maintenance of the parking facility. On the other hand, we have had expert testimony that says quite the contrary, that it is not a matter of maintenance but a matter that 20 years ago when many of these underground parking garages were built we did not have the appropriate technology, that it is a structural thing where the cement is corroding from within because of the salt and the moisture.

Am I to take it from what you have said in your brief that you agree with this expert testimony that it is a structural deficiency as opposed to a maintenance issue?

Mr Litvan: I think the parking garage problem is unique inasmuch as the whole industry, because it did not realize the consequences, did not provide adequate protection in the first place. We have to blame ourselves for that, but we did not foresee the amount of salt to be used and the consequences of that. It is not a question of maintenance. Now that the damage has occurred it is not a question of maintenance but a restoration and a full repair. In some instances it happened that the concrete was actually prepared with salt in it, a calcium chloride accelerator was put in it, so as long as that concrete stays there, the salt works itself. It does not even require de-icing salt penetration. It is not a question of maintenance, or minor maintenance certainly, but a major rehabilitation required for that.

Ms Poole: Government members have said on numerous occasions that we are not to worry about things like this because this is temporary legislation. However, according to the bill itself, this moratorium could last up to two years. In that time I think there will be undoubtedly cases of underground parking garages which need repair, or else, in my opinion, there would be two options. One is

that it would have to be closed down and not used by the tenants so that the salt could not continue to corrode, or the landlord can continue to make use of the garage and jeopardize the safety of not only the building but the tenants in it. Would this be your estimation, that even in a two-year period that there will be cases that occur where, if no money is provided for that rehabilitation, we will be in a state of jeopardy?

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Mr Litvan: I think at the moment the majority of the garages are repaired. It is at the stage where the tenants or the users are complaining about leaking water and damage to their cars or their personal comfort. If the landlords are going to be immune to these complaints, then they will wait until, in their or their adviser's estimation, there is a safety problem. Now we are increasing the risk very much, because we are now going to the point where the repairs are absolutely mandatory from a danger point of view. It is only a question of misjudgement when a serious problem may occur, even a collapse.

Ms Poole: I think one of the other things you are implying is that if the repair work is allowed to go unchecked, the cost of the repair in the final analysis might be much greater than if it were dealt with in a more timely fashion.

Mr Litvan: There is no doubt about it. The repair cost is escalating on an exponential curve. From a technical point of view we are trying to impress everybody to make the repairs as soon as they possibly can. This is not only for public safety but also for economy. The sooner you do the repairs, the less cost and the safer it gets.

Ms Poole: The other area I wanted to explore was one you brought up in your brief, that is, the jobs that have been lost because of Bill 4. We have had presentations from union people, people who are in the trades, suppliers, as to the effect of Bill 4. This is an effect that cannot be blamed on the recession; it is something that can be blamed directly on Bill 4, because repair work, renovation work and restoration work will be halted. One point you have made extremely well, which not too many people have, is that the jobs may well not return.

It is very difficult for somebody who is in the business, if they have laid off their staff, if their business in fact sometimes goes defunct, to build that up when a year later the government says: "Okay, we've had a look at the long-term solutions and this is what we're going to do. Okay guys, you can go back to work now." Is that a real problem in that once those people have left because they have been laid off—they might even leave the province—once your business has been irreparably harmed, you may not be able to recoup? Do you see this as a reality or is this just a mis-statement?

Mr MacKay: I think it is a definite reality and is a fact. We built up the technology and the expertise over the years. Hydro demolition operators, even jackhammer operators, have a skill; these are both union and non-union people. You only have to drive around the city to see work that has stopped, garage roof slabs that have not been reinstated. The work has stopped, the men have left, and unless we get

back to work we are not sure we are going to be able to attract these people and we are going to be that much farther behind. That is the problem with temporary legislation. Their expertise has been developed.

It looks like six months on paper, but it is not six months. There is a lead time involved in this type of work between the time of the condition survey, where the structural engineer has gone in and assessed what has to be done—that project you see under construction today might have been in the works for a year and a half.

Mr J. Wilson: Thank you for the very clear and concise brief this morning. I want to say from the outset that we in our caucus would like to support your association in its bid to have these repairs as part of a necessary capital cost exemption or extraordinary operating cost in that section of the bill. I again bring to the attention of the members of the committee that the National Research Council itself, which is an extremely credible organization, is here; therefore, I believe it is quite true that these were unforeseen repairs a few years ago. But what is the extent of the problem in Metropolitan Toronto, for instance? You mentioned 42 projects cancelled and 414 people out of work as a result of Bill 4. What do you foresee in the immediate future in addition to those 42 projects?

Mr Eckardt: These were ongoing projects that were cancelled. The amount of work in the metropolitan area and surrounding districts—we do not have a handle on it; we have not even scratched the surface. New things keep popping up on a daily basis. This problem is never going to go away. It is there on a daily basis. The repair will occur again. It is not something that is fixed today and eliminated.

Mr J. Wilson: What is the average age of the buildings you are working on and find yourself in?

Mr Eckardt: I would estimate that the average age of the buildings is 20 to 25 years old.

Mr J. Wilson: Do we have stats on how many buildings in the area are that age and will probably need repairs or projects started?

Mr Eckardt: In this report from the ministry there were over 3,000 garages that needed repair at that time. That could be 5,000 at this point. I have no idea.

Mr J. Wilson: I think your brief is refreshing in the sense that you have brought for the first time a very serious safety concern to the committee's attention. Before the government members have an opportunity to ask you questions, I might as well ask: Have you ever been accused of doing unnecessary repairs in this area either by the media or tenants or whoever might make those accusations?

Mr Eckardt: We are involved in structural rehabilitation. I do not call that unnecessary.

Ms Harrington: I would like to thank you for coming here and bringing this brief. It certainly gives a very good history of the changes that have taken place in your industry, and that construction methods have changed and the significant problems that, I gather, have emerged basically in the last five years in dealing with buildings that are 20

years or so old. I also want to thank you for coming to our Ministry of Housing people and explaining that to them.

I would like to assure you personally that I will carry your concerns forward, that this is something that is very serious. I would not in any way dispute the facts you have here and the testimony of your experts.

There are a couple of things I would like to explore with you. First, if there are safety concerns, and that is what you are talking about, basically, would you not agree that safety risk is the responsibility of the owner of that building?

Mr Eckardt: I believe that safety is the concern of everybody, that society should be concerned about the safety of our structures, not only our buildings but our roads. What we are talking about with Bill 4 is reducing the safety factor by delaying the repair. If somebody tells you he cannot pay you for the repair, you cannot do the work.

Ms Harrington: I understand. You are talking about the Gardiner Expressway. That is obviously owned by the government of Ontario and therefore we are responsible for the safety of that structure. The laws of Ontario also say that the owner of a building is responsible for safety, and that responsibility is a matter of law.

Mr Eckardt: Absolutely. I agree with that. The problem is that the government of Ontario has to have the money to fix the Gardiner, just as the landlord has to have the money to fix his building.

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Ms Harrington: That is right. I certainly agree with you that these structures have to be fixed and they have to be ongoing. I have some photographs we all got yesterday of various concrete destruction; obviously, the problem exists in the structure. You do not just wake up one morning and see this. We certainly did not wake up at the end of November or the beginning of December and find all these problems. The owners are responsible all through the past years and the work has to be kept up.

The point I am getting at here is that I agree and we all agree that the work has to be done. I would like to ask you who should be actually paying for that work? Should it be 100 per cent the tenant, or is there some responsibility for the landlord to be paying too?

Mr Eckardt: In past history, I think the consumer has paid for the end project. Fortunately, we live in a country that has had a history of helping people who cannot afford to pay for the end product. To answer your question, I think the tenants who can afford should, and the tenants who cannot afford should be helped.

The Acting Chair: Two more members of your caucus have questions.

Ms Harrington: Okay, I will just finish off.

At present, the tenants have been asked to pay 100 per cent of the cost pass-throughs in the legislation we had in place. I am saying that the landlord, when that building is sold, does have a profit from that building and therefore he would have to put some of the money in for the repair and upkeep of that building.

I wanted to check with you. Your people, working for your organization, also do non-profit and commercial buildings which are still keeping your members employed in this province. Is this not true?

Mr Eckardt: That is correct. Yes.

Mr Mammoliti: I would like to go back to preventive maintenance again. I am not sure whether I really understood what you are saying, but I thought I heard that landlords cannot do anything when it comes to preventive maintenance when it comes to this problem. If so, can you clarify that. It is important to me. Can the landlord do something to prevent this problem?

Mr Litvan: I think we have to differentiate here. We have to see clearly that the garages have not been built properly, so we have a problem right at the start, just as the Gardiner Expressway, which the brief refers to, has not been built properly. Therefore, there is a problem.

What to do at what point: you can do a lot of things, but most of the garages, by the time we realized there was a problem, were beyond what I would call the maintenance situation but had to be repaired. When the steel rusts—

Mr Mammoliti: Let's talk about after you have finished your massive restorations. What can the landlord do to prevent this from happening again?

Mr Litvan: He has to clean the garage as much as he can with sweeping and washing and, very important, he should take care of all deficiencies as soon as they emerge.

Mr Owens: To continue on my colleague's point, you hit the nail right on the head. In several buildings I have been into in my riding there are tenants reporting leaks and the problems you addressed about leaking on cars. My question is twofold. First, approximately how long does it take to get from the leak stage to the stage we see on the front of the report? Second, of the jobs that have been cancelled "as a result of Bill 4," how many of those jobs were mandated by property standards work orders? Are they in fact a danger to the public safety if in the interim, during the moratorium period, they are not carried out?

Mr Eckardt: Which question would you like answered first?

Mr Owens: Let's talk about the period of time between a leak and actual falling down on top of cars.

Mr Eckardt: What we know today is that if you repair the leak properly today in a new garage, there will not be a falling down of a garage. Traditionally, before we realized what was happening, we used to put up an eavestrough, because the major concern was to keep the water off the car. So actually what we were doing was hiding the fact. We did not know what was going on, and it was not until major distress in the garage occurred that somebody said we had better do something about this and we had better investigate it a little bit more.

Mr Litvan: May I say something on this? There are several types. Sometimes the garage looks very bad because it is leaking and ponding and all that, but from a structural point it is not really dangerous. On the other hand, sometimes a garage is looking quite well and suddenly it turns out that it is a major, major catastrophe. He

can honestly not really answer that question. Normally, it takes a certain amount of time between the onset of the serviceability problems and the major catastrophe. It takes years. On the other hand, it can happen very suddenly.

Mr Owens: About the number of jobs that have been cancelled, do you have enough knowledge about these jobs to speculate on which percentage are actual safety hazards or which number of those jobs were ordered by property standards departments across the province?

Mr Litvan: I personally do not have, because I do not know the details of these job cancellations.

Mr Eckardt: The majority of jobs this association carries out are through property standards work orders. The element of risk is something that I do not think anybody can measure. The only fact is that if you leave it, you are decreasing the safety factor.

Mr Owens: The question again, further to my colleague's point, is, why is a job left until the point where it is mandated by property standards because it is in fact a safety issue?

Mr Eckardt: I am not so sure that the property standards officer goes in and says, "This is a safety issue." A lot of these jobs are mandated for another reason. They go in and they want the painting upgraded or the lighting upgraded or leaks resolved in the parking garage and, upon further investigation of the engineer, they find that in certain areas the garage is deficient. So going from a relatively inexpensive repair or upgrading to a very expensive repair is a time period which the engineer then investigates.

The Acting Chair: Thank you very much and thank you for your presentation this morning. We appreciate the effort that you put into it and your coming here today.

Mr MacKay: This is of critical importance to our group, though. We need some indication, either from the committee or something, that will let us know whether we can get this minor amendment to Bill 4.

The Acting Chair: Sir, I am afraid we cannot give you that this morning. This committee will be dealing with amendments in clause-by-clause next week, and it is just not possible to deal with them one at a time as they come before us. As much as many of us on the committee would like to do that, that is not feasible.

But we begin our clause-by-clause on Tuesday of next week, and both opposition parties will be putting forward a number of amendments. I assume the minister will be setting a number of amendments out as well, although we have not seen them to date. I understand your anxiety, but that is about the best I can do for you this morning. Thank you for coming.

FEDERATION OF METRO TENANTS' ASSOCIATIONS

The Acting Chair: Our next presenters are the Federation of Metro Tenants' Associations, if we could ask for the changing of the guard as smoothly as possible.

Good morning. Welcome. We thank you for coming. We have set aside 40 minutes—20 minutes for your presentation and 20 minutes for questions from committee members—and we will try to stick to that 40-minute time

slot as closely as possible. We invite you, for the purposes of Hansard, to introduce yourself and your associate and to begin whenever you are ready.

Ms Hall: My name is Joyce Hall and I am chairperson of the Federation of Metro Tenants' Associations.

Ms McCabe: My name is Penny McCabe and I am the tenant organizer with the Federation of Metro Tenants' Associations.

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Ms Hall: The Federation of Metro Tenants' Associations strongly supports Bill 4 as the beginning of the end of the current system that has been a disaster for tenants. We applaud the government for recognizing that quick and decisive action is needed. It does not nor is it meant to solve the problems with the current system but it gives us a two-year breathing space so that thoughtful consultation towards long-term legislation can take place.

The current system of rent review has hurt tenants in three ways. First, it has jeopardized the affordability of their homes by making them subject to unpredictable rent increases and in some cases has economically evicted them from their homes. Second, and at the same time, this legislated increased profit to landlords has failed to produce good maintenance. Third, the system is arbitrary, unfair and inaccessible. It makes the tenant vulnerable to 1,001 indignities and injustices, large and small, and has thus destroyed their peace of mind and their sense that they live in a rational and fair society where misfortune cannot just fall on them out of nowhere.

This loss of wellbeing and security is very real and, we believe, tragic. It cannot be quantified and calculated. We count and calculate in the course of this discussion. However, as a representative of those who suffer day to day from the injustices of the system, we want to remind you that what we are talking about is people's homes and people's peace of mind.

The affordability section: I am going to skip a few sections, but I will begin by saying that we are used to hearing that there is a lack of affordable housing, particularly in Metropolitan Toronto. I have heard in this room and in the course of this debate, "Let the government house the poor," or I certainly heard that implied. So let's establish we are not talking about a stereotypical, disadvantaged group we might refer to in the abstract as the poor. We are talking about ordinary people.

The base starting wage of an Ontario government employee, for example, is \$437 gross a week. You, their employer, consider this a reasonable wage. This means that, given the usual definition of affordable as costing one quarter of one's gross monthly salary, this unionized worker needs housing at a cost of less than \$450 a month.

Further, you consider a fair minimum wage to be \$5.40 an hour so the minimum-wage earner is lucky to take home \$200 a week. I think you would agree that this person needs affordable housing. Obviously the average two-bedroom apartment would eat up this person's income entirely.

Families need affordable housing, and I think you understand that issue. There is a statistic there that you might be interested in. But here is an issue that I do not think others have brought up. We hear in the news of shortages of certain types of workers in the Toronto area, most recently nurses and X-ray technicians, and the cost of housing is often cited as a factor in the shortage of these important workers. In fact, Toronto's viability as a centre of economic activity is threatened when workers move away because they cannot afford to live here.

There is a statistic here about seniors in Metro that I would like to bring your attention to as well, but the essence of my argument here is that we are talking about ordinary people, not just those we consider to be chronically disadvantaged. Rent control is not welfare legislation. It is basic consumer protection.

Fifty one per cent of the population of Metropolitan Toronto are renters. A very small percentage live in co-ops and non-profit housing. The rest find shelter in privately owned rental buildings. So the fact is that privately owned rental housing simply is the major supplier of affordable housing. Thus, it is our view that this stock must be viewed as a valuable and irreplaceable social resource and its regulation must be given deep, thoughtful, serious consideration in order to preserve both its affordability and its integrity, and we know from the experience of tenants that both are in grave jeopardy.

I would like to bring out as well some misleading statistics. You hear the fact cited that 80% of Ontario's tenants receive only the guideline increase and that the average increase is only 11%. This does not sound so bad, but let's take a second look. This means that each year about 20% of Ontario units go to rent review. At this rate, in five years all the units in Ontario can receive these hyperinflationary rent increases.

What is more, once landlords get the hang of rent review, they tend to go back every year. Three applications in three years for the same building is not unusual, and those tenants, even if they received only the average of 11% three times in a row, would be looking at a 39% increase in the cost of their housing in three years. We know from Statistics Canada information that the trend over the past 15 years is that tenant income has gradually lost ground to escalating rents.

If you are prepared to allow the cost of rental housing to inflate at a cost of 11% a year—and that is just taking this average figure—you must be prepared to see wage demands adjust themselves accordingly. If wages do not keep up and you are prepared to see tenants spend 40% and 50% of their incomes on housing, you must expect the adverse effects on the economy produced by the shrinking of disposable income.

Aside from disguising the very real plight of those who receive several consecutive increases of this average size, this 11% figure ignores the thousands and thousands of tenants who do every day commonly receive the high-end increases of up to 60%, and in some cases over 100%. For these thousands of tenants, one sudden increase can mean overnight economic eviction.

The financial loss provisions are one of the problems of the legislation that Bill 4 addresses and one of the reasons why this 11% average figure comes out of rent review. What these financial loss provisions do is make owning a residential building a sure-fire, no-risk business. What happens as a result is that the price of the buildings is artificially pushed up. The higher the purchase price, the higher the rents go; and the higher the rents go, the higher the new purchase price.

Combined with the shortage of affordable housing, which forces tenants to pay the higher rents, this is a bottomless pit. It takes from those who can least afford it and puts their money into the pockets of owners. No-risk profits at the expense of scarce affordable housing are unacceptable. In addition, some economists charge that artificially propped up values simply heat up the economy and are counterproductive in the long run.

Now I would like to address the maintenance issue and the fact that the Residential Rent Regulation Act with its provisions for capital expenditures has not done what it was meant to do, which is resolve and improve maintenance.

Here is the typical case, and I mean typical. We hear this again and again. Tenants have paid rent for years and years in buildings where ongoing neglect is the rule, then they get a notice of rent increase telling them that the landlord plans to raise the rent for an amount which is far beyond any increase in their salaries that they might reasonably expect.

The notice of rent increase is usually to cover a schedule of repairs which—and this is an important factor—does nothing or very little to improve their buildings from the tenants' perspective. So there are three factors in this case scenario that are important: the ongoing neglect; the unpredictable, hyperinflationary rent increase, and a cosmetic, inappropriate schedule of repairs.

To understand this last issue, we need to talk about what good maintenance really is. Tenants define good maintenance as planned, intelligent, ongoing, preventive and cost-efficient care to all areas and systems of a building, and technical auditors would agree with us on this. The RRRA does not encourage this kind of maintenance.

First, before we even get into that, I would like to talk about this idea that there are good landlords and bad landlords, and if we just fix up the system a little bit, we will get rid of those bad landlords who have taken advantage of the system. The law itself shapes behaviour. Business people simply do what the law allows to maximize profits and should not be expected and certainly not counted on to behave otherwise. It is more productive to look at the legislation and the kind of behaviour that it is shaping as opposed to saying, "This bad landlord is taking advantage of the legislation because the legislation is an invitation."

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Let's go on to why good maintenance behaviour is not encouraged by the RRRA. It allows landlords to pass through a cost if it amounts to either 1% of the rental revenues or represents more than a quarter of replacements. For example, if you replace over a quarter of the refrigerators, you can pass it through as a capital expenditure.

Let's take a maintenance activity like painting. Instead of doing the painting bit by bit as required, with a minimum of inconvenience to the tenants, one massive painting project will be undertaken, with ongoing neglect preceding that. At rent review this is called bunching. Some areas will get painted whether they need it or not. Public areas will take precedence over inside suites because it is more difficult to paint inside suites and rent review does not encourage the ongoing expenditure that painting inside suites requires, because you paint inside suites when they are vacant which is one by one, not a quarter at a time.

A replacement activity such as appliance replacement will take place like this: 26% or even all of the tenants will get a new refrigerator whether they need it or not. Bunching is extremely frustrating and unfair maintenance behaviour from the tenants' point of view, but it is absolutely sensible from the landlords' point of view, given this law. If painting and appliance replacement are performed on an ongoing basis, they cannot be used as justifications for a rent increase, so the result is what I call a slip-over of items from maintenance activities to capital expenditures. Of course, it means that tenants are getting less and less for their rent money as they pay it month by month. Are the landlords being bad? No, they are just being shrewd. The legislation encourages them to do this, but from the tenants' point of view, it is just a plain ripoff.

This is a very dangerous precedent which the legislation has set and which it is going to be hard to backtrack on. It has conditioned landlords to believe that any money they spend on their buildings should be paid for by bonus rent increases. Thus, one landlord said to me that her tenants would accept a rent increase because they wanted new appliances. It no longer occurs to this landlord that the tenants pay for functioning appliances in their monthly rent.

Another important point is that cost efficiency is gone. There is no incentive to perform work or replace as required or to find the best price, as any and all sums spent on the building will be passed on regardless. I think what is important here too is that in a way the good landlord is in a sense penalized. The good landlord who is carrying out long-term preventive maintenance, phasing in replacements bit by bit, is penalized. He looks next door and sees the guy who has let his building run down terribly get a massive rent increase and fix the whole place up when that landlord has been milking the building. So it actually penalizes good landlords and I think turns them into bad landlords in a way.

Another type of inappropriate expenditure has come to be known as "marble lobby syndrome." The lobby reno at 892 Eglinton Avenue East was one of the costs contributing to a 54% increase, while basic systems in the building deteriorated. Now why would a landlord do that? This kind of expenditure does make a lot of sense from the landlord's point of view. It is easy to execute and it gives that spiffy appearance to the building. It is the kind of improvement that adds value to the building because it is an appearance issue.

I am sure we all know the kind of repairs people do just before they sell a house. It is quite a different set of repairs than they do if they are moving in and planning to live in it for 20 years. So you can imagine how indignant tenants are when they are ordered—and that is what it comes down as; it is called an order—by the government to pay for the mirror and marble lobby when their pipes and taps have been dripping for years.

At 103 Avenue Road, tenants who had been unable to get their bathroom grouting attended to because it is not a capital expenditure came home to find their balcony door had been replaced unnecessarily. It just makes tenants really mad. You can, I am sure, understand. There are some other examples here from 103-105 Westlodge, where there are actually outstanding work orders on the building but the tenants are receiving over-the-guideline, hyperinflationary rent increases, so I just bring your attention to that.

Now, how should landlords pay for capital expenditures? We think they should pay for them in the same way home owners do. Home owners do not expect to get an increase in income because they need a new roof. Also, home owners perform the maximum amount of preventive maintenance and landlords should be encouraged to do the same. There is a Co-operative Housing Federation of Toronto study that I would bring your attention to that shows that preventive maintenance can cut down capital expenditure costs by 30%.

Another interesting example is factory owners. Factory owners do not wait until all their equipment needs replacement and then jack up the price of their product. They would immediately become uncompetitive. They have to stay competitive. They too have the incentive from the marketplace to do the maximum amount of preventive maintenance and save on an ongoing basis.

There is an important myth I would like to bring your attention to, that rent control will produce slums. Dr Richard Applebaum did a study in Santa Monica and found that roughly the same percentage of tenants report their unit is in better condition than when they moved in than worse condition and the vast majority report no change. And I think the fact that there is a lot of information from the United States on the effects of rent control is something we should bring our attention to. We do not have to wander in the dark on these kinds of issues.

As for the New York situation, in New York tax assessment taxes buildings at a higher rate than the land and this has always been a problem where you have that system. The owners of buildings are actually encouraged to let the buildings run down because they will get a lower tax assessment, so it is a disincentive to maintain.

The Acting Chair: Just so you know, there are about two minutes left in your presentation.

Ms Hall: Okay, thank you. Connected to the myth of slums is the myth that landlords cannot afford to do maintenance. But what did they do when marketplace factors determined rental charges? The fact is that landlords are selling water in the desert and that is why they want to drive the prices up—they are in a position to. They have

the consumer over a barrel and they want to capitalize on it. You need also to remember that the equity that has been built up over the years through tenants paying their rent belongs to the landlord.

The process of rent review is really something that I have to say on behalf of tenants is really terrible. It is a full-time job in the midst of a rent review case: fetching photocopies, liaising with the lawyer and the rent review office, vetting bills, verifying repairs, checking prices. I went through this and it is a full-time job, and if no one does the work, the increase will be larger, so there is a big scare factor there. The case needs to be followed for a period of years because of the backlog. If the increase actually jeopardizes affordability, you can find yourself, as a tenants association president, doing relocation assistance. I was involved in that, helping somebody find alternative housing. So it is like you have suddenly got a court case, in a sense, on your doorstep when you are a tenant and you have got one of these increases on your doorstep.

The process is expensive and this really galls tenants. The greatest thing that galls tenants, I have written here, is the fact that landlords can pass through a portion of their consultant and legal costs, whereas the tenants are on their own, and that is just so grossly unfair. Tenants just get furious when they talk about that.

Retroactivity: We applaud the government's retroactivity in Bill 4 because we feel it is justified. Every rent review law has been retroactive. The flood of applications received in September and October would have resulted in further erosion of affordability, extending the ill effects of the system not just to those current tenants but to all the tenants to come in that building, and as it is, tenants will be receiving increases under the system until August.

As for the future, I say, more or less, just let's get on with it. Let's pass Bill 4 and let's get on with passing some sane and reasonable legislation to protect this affordable housing and to protect tenants.

The Acting Chair: Thank you very much.

Mr Mammoliti: The presenter mentioned that she can get her hands on something in regard to preventive maintenance and how it could save 30% of capital expenditures. I am wondering whether or not—

The Acting Chair: I think you can ask that when we get to you, if I can put you on the list so that we do not eat up into our question time.

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Mr Tilson: I appreciate all of your comments and I am sure we will all be reviewing your presentation again when we get into the more permanent legislation. I would like to direct my question specifically to Bill 4, which is what this hearing is about. It has been estimated by the minister that the temporary legislation could go for a period of two years. Dealing specifically with Bill 4, do you feel that Bill 4 will help or not help the tenant as far as his or her quality of life is concerned?

Ms Hall: I feel that what is urgently, very urgently, needed is a breathing space and that Bill 4 gives us that, because what we have, as I have been saying, just is not working and the tenants just want to relax for two years

and know that they are going to be paying the guideline and not going to have a nightmare land on their doorstep.

Mr Tilson: I guess the difficulty we have with that is that there is no provision for encouraging landlords to make capital expenditures. We have landlords coming to this committee saying they have no funds, and if we are talking a period of two years, do you think that two years will cause almost irreparable harm in maintaining the housing stock if it is not done?

Ms McCabe: The obligation to maintain does not come from the Residential Rent Regulation Act; the obligation to maintain the building comes from the Landlord and Tenant Act. It is an obligation the landlord enters into in renting out the apartment. Tenants do not want the big capital expenditure items. They want their places kept safe. They do not want the marble lobbies; in most cases they do not want the windows; they do want their underground garages fixed when they have got to such a state that they are deteriorating and damaging their cars, but they are not by any means after the big items. They are after regular maintenance, which is already an obligation, and I believe tenants are going to have to be very strict in enforcing their rights over the next two years.

Mr Tilson: I am encouraged to hear you saying that, because one of the items that I expect our party will be recommending is an amendment to this legislation, a form of democracy clause; in other words, if the tenants agree with the landlord that perhaps the roof should be fixed or the garage should be fixed, that it be allowed. Do you concur with that? Do you have any problem with the democracy clause?

Ms McCabe: We have no problem with things being fixed. The problem we have is when the tenant is paying for a basic facility, paying for that facility in his rent and yet fixing becomes an extra charge. Okay? That is a very different issue and we have a lot of problem with that.

Mr Tilson: I guess the problem that I am looking at is when you have a capital expenditure such as a roof and landlords are simply saying, "There's no money to put a new roof on;" not patch it, but put a new roof on. In my riding alone, for example, this past Friday I attended and the landlord said, "Here are my books," and indeed showed them the books. There was no money to put a new roof on, which would cost \$85,000 for two small buildings. What do we do there?

Ms McCabe: You have to realize that when we, as tenants, pay to the landlord the guideline increase every year, 1% of that increase is being paid for the landlord to do capital expenditures. We have, as tenants, been paying that year after year after year, and if the landlord does not have the money, then I would like to know where it has gone.

Mr Tilson: Okay, I appreciate that statement. I am looking for this moratorium period of two years and your recommendation as to how we can encourage the landlord to make those capital expenditures if he is saying he does not have the funds. That is all I am asking you.

Ms McCabe: I am saying we have to enforce the rights under the Landlord and Tenant Act.

Mr Tilson: So you are saying, "Enforce the work orders." The difficulty we have is we are having tenants saying, "Even if work orders are instituted, we do not have the moneys to do them."

Ms McCabe: Tenants are saying that, or landlords?

Mr Tilson: Landlords are saying it.

Ms McCabe: The landlords. Then they have to start looking at some financing.

Mr Tilson: The difficulty is they say they cannot get financing, because there is no—

Ms McCabe: I can tell you one landlord who came before you and said, "I can't get financing." That is 860 Pharmacy Avenue. I have for you a copy of a response that the tenants have made to that. The landlord cannot get financing because he has a \$500,000 loan out on the building that is not related to any of the work that was done in the building. It is almost always possible to get a mortgage on a home if you have not mortgaged it up to the hilt. It should be possible—and I would very, very much question if it is not possible—for a landlord to get a loan out on a piece of property.

Ms Hall: I also would like to address that and say, you know, are we in the business as tenants of digging deeper and deeper into our pockets to bail out every landlord, no matter how responsible or irresponsible he or she has been? It is not up to the tenant to make sure everybody stays afloat if he has done irresponsible things.

Mr Abel: Thank you both for a very comprehensive presentation. Right off the bat in your presentation you had recognized the fact that Bill 4 allows breathing space for much-needed change and that certainly concurs with a lot of the tenants I have spoken to in my riding. Also in your presentation you talked about 10.7% to 53% increases. Do you have an average increase that the people you represent have experienced?

Ms Hall: We have not done a running average of our tenants.

Ms McCabe: We have never done averages, but I would say the average that I see as a tenant organizer going out to buildings where tenants are facing rent review applications would be in the 20%-increase range.

Mr Abel: Twenty per cent, when we have a cost-of-living increase of about 5%.

Ms Hall: Yes. I just wanted to add, that is what I mean by the gradual erosion. They might be able to afford the first 20%, but not afford the next 11% that is compounded on top of that. It is gradual erosion.

Mr Abel: Okay. Also in your report you talked about repairs. In your opinion, do you feel these repairs were made for legitimate reasons?

Ms Hall: Do you mean the repairs that landlords are making?

Mr Abel: That is right.

Ms Hall: I have addressed what I see as a typical case scenario, which is that very often the schedule of repairs is

quite inappropriate to the needs of the building and that is one of the things that really frustrates tenants.

Mr Abel: How many tenants do either of you know of who have been economically evicted?

Ms Hall: You are looking at one.

Ms McCabe: I recently talked with 365 Eglinton Avenue East, where the landlord has gone to rent review every year. His first application was December 1986. In that building, the youngest tenants in the building, when the landlord went to rent review, were the ones who were in their 40s. Of 46 units, 25 have had to leave the building, saying, "We can no longer afford the rent." Every one of those was retired and over 65. That is over half the building.

The Acting Chair: Mr Abel, I have two more members of your caucus who wish to ask questions.

Mr Abel: With that information in mind, I guess you agree that Bill 4 is taking us in the right direction for much-needed improvement.

Ms McCabe: Yes. I keep hearing this from tenants over and over and over again, "We don't know how to plan for this year, let alone next year." Because of the retroactive provisions, they do not know what their rents were three years ago, let alone this year. This gives them two years that they can do what is called reasonable financial planning.

Mr Abel: Thank you very much.

Mr Owens: I am glad to see you here this morning and I am really glad that you have touched on many of the issues. I have only been involved with the committee on my second day, but as the MPP in Scarborough Centre, certainly with 40% tenants in my riding, these issues are not new to me.

The myth that you alluded to, that landlords are claiming there is no increase and therefore they cannot afford to carry out repairs, I am glad you touched on that as well.

The presentation that we heard just prior to yours from the concrete restoration association talked about garage repair. I am not a technical person and I somehow cannot make that technical leap between the leak in the basement to, all of a sudden, the landlord charging \$2 million for a repair, and I know this has occurred in my riding. I am wondering if you folks had any kind of horror stories around that issue with respect to underground garages and garage repairs.

Ms McCabe: You have already heard from the tenants at 103-105 Westlodge and that is perhaps the most horrendous example, where the garage has actually physically collapsed. It is not underground, it is above ground, but if you go by that building, and I urge you to do that, you will see that the garage has physically collapsed. The tenants have been paying rent increases that have been awarded. There are two buildings. The standards board only saw fit to issue an order against one of the buildings, although the garage is a common area. There has just been a mess. Of course, you saw the papers yesterday to see the absolute latest thing, which is, because of this collapsed garage, they have been awarded a reduction in property taxes.

Mr Owens: That is right.

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Ms McCabe: You know, that is perhaps the absolute worst scenario. Realize that the garage syndrome did not occur in 1986. The garage syndrome we started to realize well back into the early 1980s. I remember friends of mine living in condominiums starting to talk about having to have this done in their condominiums. If preventive maintenance had started back in the 1980s, this problem—as you heard them say, you could have repaired leaks—would not be as atrocious as it is now. Again, why do the tenants have to pay for a poor engineering decision made by the owner or the builder of the building?

The Acting Chair: Ms Harrington, you have about a minute and a half.

Ms Harrington: Okay. I appreciate a lot of the explanation you gave about the feelings of tenants, that their homes and their dignity are at stake and also how you explained how the RRRRA system actually encouraged abuse. I had not heard that explained before, that otherwise good landlords could be encouraged by this to change their behaviour into an irresponsible way of doing things.

The question I have for you is this: Following from the last presentation by the Concrete Restoration Association of Ontario about the problem of repairs and the urgent safety question that we are looking at, how much of the cost of these repairs should fall towards the landlord or how much should fall directly to the tenant? What do you think?

Ms Hall: We feel, as the government or as the party which is now in power stated in its Agenda for People, there should be one guideline increase based on inflation, and the tenants who are in a building that has a major problem, either due to a built-in structural deficiency or due to ongoing neglect, are not necessarily richer than the tenants who have been in a building where there is not a major structural deficiency, if you get my meaning. They are not necessarily able to afford to pay a rent increase that is over the guideline just because they happen to live in a building that is in bad condition. So we do not feel it should fall on the backs of the tenants.

Their rent increases have been keeping up with inflation, along with their wages hopefully, so that, you know, they are not going to have any unexpected reduction in their disposable income. So we do not feel it should come out of the tenants' pocket.

Ms Harrington: But the work has to be done.

Ms Hall: Absolutely, the work has to be done.

Ms Poole: Thank you for your presentation today. You have certainly stimulated, I think, a lot of questions and you have an expertise in this area, so we are very happy to be able to tap you.

First of all, Penny, I believe you said you did not have a statistical analysis but your impression would be that the average rent increase that you are seeing at the federation would be in the area of 20%.

Ms McCabe: That is basically when I am being called out to a building and the tenants have decided to do some-

thing about the landlord's application to rent review. We are usually talking in the 20% area. There has been one building that was extremely angry and had a 75% turnout to a meeting, which is extraordinary, over a 7% rent increase. But on the average, people only get that animated when it is over 20%.

Ms Poole: Basically what you are saying is, when people would contact you and are that animated, they really are putting a wholesale effort in, that usually it would be the higher rent increases that you would be seeing anyway.

Ms McCabe: Yes. For instance, the reason Joyce contacted us initially was her landlord went for a 195% rent increase. I would say we get a lot of the extreme cases and some average cases, which is why I would say 20% is pretty average of our membership and representation.

Ms Poole: I was just surprised at that figure, because province-wide it was 5.8% and for those actually going to rent review it was 11%. So that figure seemed very high, but that is because you are talking about the ones who are usually in extreme circumstances.

Ms McCabe: Also, if you look at the provincial figure, we are talking about a lot of very small units involved in the provincial figure, and those people do not tend to contact us. One flat in a house would be in the provincial figure.

Ms Poole: As you know, my riding is primarily tenants. It has some 60%, which I think in raw numbers would come out to about 40,000 tenants. I work with them on a daily basis and in my riding there are about a half dozen buildings in particular that I am concerned with. But many of the others, if there is a rent increase, it is a one-time thing and usually for capital expenditures and we have not had an enormous difficulty with it. The problem is more in the light of those who are going for a very hefty rent increase. You have mentioned 365 Eglinton; the two Balliol buildings that were the subject of the injunction were in my riding; 66 Broadway, where year after year they seem to have a heavy rent increase. Those are ones that give me grave concern.

But one problem I have with Bill 4 is that it treats all landlords the same. It says that no landlord is entitled to get any money reimbursed for necessary repairs, and necessary repairs is something I feel very strongly about. This morning I was at a press conference that was held by the Bretton Place Tenants' Association, which basically said they do not agree with the government's position that necessary repairs should not be allowed through.

My fear is that if there is no provision through a rent review system for necessary repairs, they simply will not get done. We can say till the cows come home: "Well, we'll enforce it. We'll enforce the Residential Rental Standards Board. We'll enforce the work orders." But I think you would probably agree with me that the experience I have had in the past is that they are not working. Bill 4 does not do anything to rectify that. It does not do anything to rectify the substandard conditions, the ongoing neglect, the cosmetic repairs. It simply addresses the amount of the rent without looking at anything else. Would you like to comment on that?

Ms McCabe: Neither did the RRRA.

Ms Hall: I would like to comment on that. I would like to remind you of one thing I said in my brief: what did landlords do when there was a 5% vacancy rate and they could not just jack up rents and keep their tenants? Their tenants would move. This claim that we cannot afford to do anything besides just the very basic, I believe is based on the current marketplace economics, that they are in a position to get more money from people because they have people over a barrel. There is no choice of moving. I just do not think we should be totally credulous on this issue.

Ms Poole: I think there is a real difference between minor repairs and major repairs. With a minor repair, I agree with you, that should be covered under the rent, but if you have a fairly massive expenditure such as underground parking or even one such as roofs or redoing the plumbing, I would bet you very good money at this given moment in time that if there is no provision for it, in many buildings that work will simply not get done, and it is the tenants who will end up suffering.

I know where you are coming from when you say that the rent increases, and particularly these extraordinary rent increases, cannot be tolerated. I agree with you. But I am saying, should we not have, even as interim legislation, some provision for repairs that are necessary, with a cap on, with perhaps provisions dealing with ongoing deliberate neglect as far as the landlord's ability to get that capped increase is concerned? Can we not deal with it in somewhat more rational a way than to simply say all landlords are bad landlords, that all landlords must be punished and no necessary repairs need be done in the next two years?

Ms Hall: We do not feel they are being punished by not being allowed to go for bonus rent increases. It is the tenants that are being punished. Under the Landlord and Tenant Act—I just remind you of what Penny said—it is an obligation of the landlord to keep the building up to par, and also of the fact that the RRRA has not necessarily encouraged the kind of correct expenditure. You give the landlord the money and you just hope, "Gee, I hope he fixes the garage and does not give us a mirror and marble lobby." So that is why the whole thing needs to be rethought.

Ms Poole: Could I have just one final comment?

The Acting Chair: We are out of time, I am afraid. We want to keep moving. Thank you for your presentation this morning

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CO-OPERATIVE HOUSING ASSOCIATION OF ONTARIO

The Acting Chair: Our final presenter of the morning is from CHAO, the Co-operative Housing Association of Ontario, if we could ask them to please come forward. There has been a change in the deputation. We have Bruce Woodrow, a delegate, and also Cameron Hopkins, I believe a director. Welcome. Also for committee members, there was some additional information that apparently was provided and is now on its way to us, so that will be coming to us very shortly, the main brief.

We have set aside 40 minutes for your presentation, so you can begin now and, for the purposes of Hansard, please introduce yourselves. We will go to about 10 minutes to the hour and then we will have 20 minutes for questions.

Mr Hopkins: My name is Cameron Hopkins and I am a director of the Co-operative Housing Association of Ontario. With me today is Bruce Woodrow, who is a delegate to the Co-operative Housing Association of Ontario from the Woodsworth co-op in Toronto.

The Co-operative Housing Association of Ontario, which we refer to as CHAO, represents the co-op housing movement at the provincial level. We were formed in 1987 to ensure effective communication among the housing co-ops in Ontario and to allow us to speak to the provincial government with a unified voice. We work closely with other organizations such as the Ontario Non-Profit Housing Association and the Affordable Housing Action Group to develop solutions to Ontario's housing problems.

We are organized as a co-operative, democratically controlled by the co-op housing movement made up of resource groups, federations of housing co-operatives and staff associations. We presently represent something like 400 housing co-operatives in the province representing more than 25,000 households.

Our interest in the legislation at hand is our fundamental belief that housing is a social right and our goal is to ensure adequate and affordable housing, especially for that portion of the population of the province that is increasingly excluded from home ownership. In particular our movement strives to not only provide affordable housing but to create mixed-income, self-managed communities.

However, we cannot look at the problems of providing affordable housing in Ontario independent of the broader housing market and the environment in which all forms of housing operate, so legislation such as that pertaining to rent review having an impact on that environment would be of concern to us.

Our organization strongly supports the amendments proposed in the bill and this directly derives from our belief that housing is a social right, from our desire to see that nobody should ever suffer lack of security of tenure, lack of security of housing because of what amounts to economic eviction.

This view of housing as a social right is recognized by the United Nations. It is recognized by the International Covenant on Economic, Social and Cultural Rights, which Canada is a signatory to, and we feel there is a social responsibility on government to try to discharge the obligations and moral imperatives that are set out in this covenant.

I think we have a tremendous concern with the fact that affordability is becoming an increasing problem for persons who are excluded from home ownership. The 1986 census reveals that Ontario tenant households have incomes which average only 67% of home owners' income and indeed the gap between tenant and owner incomes has continued to grow over a period of time. According to the census as well, something like 32% of all renters spent more than 30% of their incomes on rent. Indeed I am sure you will have heard from other presenters that clients of

food banks report that the average client spends as much as 70% of income on rent, which we find to be a staggering figure. It has turned out as well that there have been changes in the housing market over a period of time, which I refer to in the brief, which make it more difficult for tenants to find affordable housing.

The supply of housing in Canada as a whole has been very much influenced by government policy in the period since the Second World War. Through tax expenditures and direct subsidies, it can be said that virtually all housing in the country has in one way or another been subsidized. Beyond providing economic stimulation, this so-called supply assistance has been historically used to help as many people as possible become home owners and to help the private sector construct private rental housing. These initiatives bridged the gap between the real costs of producing housing and what consumers could afford, or what the market would support. In this way the market was allowed to function for a larger portion of the population.

I think there is a lot of evidence to suggest that this approach to housing was not very cost-effective and in fact did not provide affordable housing to people who needed it. Indeed in the last 25 years some 200,000 units of private rental housing have been built directly through public subsidies and tax expenditure programs, and typically created housing for middle-income households and offered tax benefits that tended to flow to upper-income earners.

Additionally some 85,000 units of public housing were created in Ontario, much of it during the 1960s and 1970s, but this model has increasingly fallen out of favour because of the widespread dissatisfaction with the communities created by targeting exclusively to the poor.

Over the last 20 years co-operatives and other forms of non-profit housing have emerged as successors to the earlier forms and now non-profit housing, including co-operative housing, offers the only new source of real rental accommodation. Over 100,000 Ontario households currently live in non-profit forms of housing and most of these developments offer a mix of rent-geared-to-income housing to households unable to afford market rent, as well as the market-rent component.

Of course, in these forms of housing there is no need for the costs to rise other than in accordance with the real costs of maintaining the project. In other words, they are sheltered from the inflation of the market and not only provide over the long term lower-cost housing, but they provide a downward pressure on the cost of housing in the market.

There are a number of studies that have been done comparing the effectiveness of different housing forms and we refer specifically to a study which our organization commissioned of two projects, one a co-operative built under the old 56.1 program of the federal government, and another project built with the assistance of the Canada rental supply program. This study revealed that in 1990 the total assistance costs for each unit in the private project were more than double those in the co-op. In addition it found that 93% of the households that moved into the co-op in 1985 had incomes below \$50,000 compared with only 45% in the private project with incomes below this

level. Indeed 22% of the households in the private rental project had incomes in excess of \$100,000.

We believe this is the kind of evidence that shows that the tax expenditures and other subsidies in the private rental market have not been a very cost-effective way of providing shelter to low- and moderate-income Canadians. I will ask my colleague to continue the presentation.

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Mr Woodrow: One of the things that we address in our brief is the shelter allowance alternative, which is frequently bandied about by the development industry and landlords as the solution to the affordability problem, that the problem is not controlling rents, but merely helping those people who need help in paying the rents. We think that is wrong. If you remember, rent review was a response to tight vacancy rates and increasing rents, not the cause of tight vacancy rates and rentals. When it was brought in it was to address that problem.

Landlords were not building enough rental supply units before 1975 when the forerunner of the current act was brought in. They were not building enough between 1975 and 1986 when new buildings were exempt from the rent review provisions and it is unlikely that even with a massive shelter allowance component that they would be building enough.

Their interest is in making as much money as possible from their investment. It is not in their interest to build enough housing to increase the vacancy rate substantially. It is only in their interest to build enough housing to deal with sort of the absolute worst demand, because if they create a significant vacancy, then their incentive to make money from their investment goes down. So even if we had a shelter allowance program, it is hard to imagine how that would really solve the problem, and at what cost.

The cost of such an approach would be enormous. Based on rent and tenant income data from the 1986 census, the annual cost of implementing a universal shelter allowance system at that time without any increase in rents would have been \$1.2 billion to \$1.3 billion. The replacement cost of new units, however, is approximately three times higher than average current rents.

To make investment viable, existing rents would have to rise substantially. As rents increased, the subsidy cost would rise, as would the number of eligible households. Furthermore, in our view most housing analysts agree that a minimum 3% vacancy rate is required to maintain a functioning market. Therefore, we conservatively estimate the current cost of a universal shelter allowance system to be between \$3 billion and \$4 billion annually.

In order to continue to attract investment and ensure a functional market, taxpayers would be faced with an ever-growing financial black hole, and in our view there are much better ways to spend money if you are going to spend money on solving the affordability problem. And that has to do with increasing the supply of non-profit co-ops.

However, in terms of the existing renters, there are a number of issues that need to be looked at. Four of them are covered specifically in our brief and one of them in the

appendix that we circulated today. These are the four elements of what we think is a proper program for protecting tenants in the marketplace.

One is rent regulation itself. Two is ensuring that the legal requirements relating to maintenance are continued so that landlords have a positive obligation to properly maintain their buildings. Three, control the demolition and conversion of existing rental stock. Four, create new housing through non-profit supply programs and, finally, ensure that tenants have a right of first refusal.

That right of first refusal, which we address in our brief, is sort of a companion to our belief that the government gets a lot more benefit by helping create a new non-profit housing unit than any other approach that is suggested to deal with the affordability question. If that is true, then one of the things that would be very useful is helping existing tenants do a favour to their landlord. To the extent that a landlord legitimately claims that he or she wants out of the rental market, then we think it is in the government's interest to make it very easy for the tenants to help that landlord out by taking over the building.

I believe it was Mike Breagh, when he was the NDP Housing critic, who introduced a private member's bill, 146, in June 1988. Its purpose was to propose an amendment to the Landlord and Tenant Act to give a right of first refusal to tenants. That is a very simple thing. If a landlord wants to sell the building, treat it as shelter and not as a commodity and say that at least give the tenants a chance to look at a strategy for coming up with the necessary funding to buy the building themselves.

If you do that and if the tenants are able through a government program or otherwise to come up with a scheme by which they can buy the building, then the government will have achieved some tremendous objectives. It will have introduced stability for those tenants and the tenants who come after them in that particular project. It will have built-in rent control.

I think people who live in co-ops are the experts on rent control. We found that if the people who set the rents are the same people who pay them, the control comes along automatically. It works very nicely and you do not need a government ministry or department to administer it, and the rents stay as low as they can possibly stay while maintaining a reasonable quality of housing. So anything that helps increase the number of units of rental housing in this province that are controlled by the people living in them is going to achieve the objectives we think any government should be seeking in dealing with control of the marketplace.

In terms of the rent regulation itself, we think there are lots of people who are being evicted economically, in that the rent of the housing unit they are in—in some cases, for years or decades—simply gets so great that they can no longer afford to live there. If there were more non-profit housing, they could simply move to that. Anybody who has ever looked at the waiting list for housing co-ops, private non-profit or municipal non-profit, knows there is not enough housing.

Our basic point is that people need to be protected from this economic eviction. We think the issue is not

landlords losing money. I am sure there are landlords who can prove they are losing money, but in our view most of the issue is not whether landlords are losing money but whether they are making as much money as they want. If I were a landlord I would want to make as much money as I could and I would attempt to make as much money as the prevailing system would permit. If I were dealing in gold or electrical components or something, perhaps I would feel I should be able to do that unfettered. But if I am dealing with people's shelter, it seems to me a reasonable role for government to look at exactly what is a reasonable amount of money for a landlord to make and how a tenant can be protected.

There have been a number of concerns expressed with respect to this particular bill and its effect on the major repair question. I do not think we yet have the complete answer to the major repair question, but I want to suggest an approach I think the government can look at over the two years or so that it takes to look at the permanent system. Virtually every condominium and co-operative—I am not sure about the other non-profits—have mandated by some level of government or government agency the requirement for a replacement reserve. What this simply means is that a portion of the money that is paid each and every month goes into a fund which is then available to do the repairs that are necessary when a large item comes up. Condominiums are mandated through the Condominium Act, co-operatives through the various funding arrangements they have, whether it is through the Ministry of Housing or Canada Mortgage and Housing Corporation.

It is interesting that there is a growth industry in what is called replacement reserve analysts, because lots of condominiums and lots of co-operatives have said: "We think replacement reserves are a good idea. We think they're such a good idea that we're concerned that the amounts mandated for us are not enough." In fact, there are lots of examples, both in the condominium area and in co-ops, where they voluntarily increase the amount of reserve to make sure that at any given time they can cover the major repairs that will undoubtedly arise without severely increasing their housing charges at that particular time.

The administration of that is quite different, though, when the people who are going to benefit from the expenditure are not the people who are collecting and holding the money, and any requirement for a replacement reserve approach would have to have a few key components. One is that it would have to be viewed as tied to the building, it would have to stay with the building when the building is sold; second, there would have to be some kind of constraints on how it is invested and when it is spent and how it is controlled, because I am sure the average tenant would not trust the average landlord to be in complete control of the money they are paying into reserve to make sure that maintenance is done. But it works in condominiums quite well, it works in co-operatives extremely well, and I think that should be something the government should look at.

In the meantime tenants need protection, and we think the bill, which is designed to put a cap on some of those expenditures for a couple of years to give the government a chance to work out a permanent form of rent review or

rent control or rent regulation, is a good one and we hope the bill will pass with those provisions intact.

Mr Owens: In terms of your right of first refusal amendments to the legislation, in the past two days I have heard landlords talking about how they are not going to be able to afford to stay in business. Have you noticed any exponential increase in the number of applications to co-op conversion as a result of Bill 4?

Mr Woodrow: I would not say I have noticed an increase in co-op applications; I would not say there was an exponential increase. It is my understanding that the resource groups that tend to develop co-ops are getting more inquiries from landlords or developers, who are beginning to think that a non-profit use of a project, whether it is already built or in planning, would make more sense. Of course, a part of us thinks, "That's great," while recognizing that that is a perception; to what extent the market's perception of what is going on is a correct reflection of what is really going on I do not know. But certainly there has been some increased interest, both from developers with new projects and landlords with existing ones, for the possibility of converting or creating a non-profit project.

1150

Mr Owens: To perhaps help some of the landlords who may be sitting in the audience today, could you explain what the process is for going through a conversion and who actually foots the bill and how much of the money the landlord will see?

Mr Woodrow: The process for creating a co-operative is pretty much the same regardless of whether it is a new construction or a conversion. The process is frequently quite long, and I can assure you that CHAO is dealing with the Minister of Housing in a variety of ways to look at ways of speeding up the process.

Basically, virtually every co-op needs supply assistance. The cost of building of a new project exceeds the amount the market would bear for the cost of that, so there needs to be some kind of supply assistance, and then there needs to be specific subsidies, as every co-operative has a portion of its membership on rent geared to income. There is a whole procedure by which you apply to either the Ministry of Housing these days, or CMHC in the days when we had a government that was properly funding co-op development at the federal level, and there is an approval process there. That is in addition to all the ordinary approvals you would go through for creating a new project.

For a conversion, for a landlord who is wondering about selling the building, it is not very much different than selling to any other willing purchaser, with the exception of the fact that at this point in time it would often be difficult for the co-operative to sign an unconditional offer, or the tenants' group or whatever, and to close quickly. At this point the government does not make available to the co-operative movement the kind of capital resources that are available to some developers and some landlords to close a deal very quickly, because they would have to make the offer conditional on getting the necessary approvals and funding commitments from whatever funding agency they are using. But in terms of what the landlord

has to do, it is not unlike selling to anybody. The first contact would often be to one of the non-profit resource groups, of which there are about five in the Metro area and one in most other cities in Ontario. You would make contact with the resource group and do some preliminary work on what are possible numbers and then try to agree on a price. But, as I say, it would definitely be a conditional offer.

Mr Mammoliti: Given that one of your main concerns is affordability—of course it is one of my concerns as well, and the residents in my riding made it clear during the campaign that it is one of theirs as well—does not Bill 4 help to protect the affordability of current rental stock, in your opinion?

Mr Hopkins: Yes. We agree that indeed it does protect the affordability of current rental stock. We are specifically concerned about the increases in rents that put people into a condition of spending more than 30% of their income on housing. We recognize that this is intended to be an interim measure and that there are a lot of problems that will have to be worked out in the long run, but we consider that it is an appropriate interim measure and we support it.

The Acting Chair: We have about a minute and a half for Ms Harrington.

Ms Harrington: I liked your opening statement with regard to the fact that supply assistance since the Second World War has mainly gone to home ownership and this has not been cost-effective for getting affordable housing, and that obviously we have to change, because tax shelters and tax benefits to some people to produce housing for ownership is not working.

I really understood what you were saying, that the co-ops are the experts in rent control. I think we have to look to you to see how to do it. Besides that, co-ops are very special in the feeling of ownership and feeling of pride of the people who live there, and that is very important too. We have to look at that with regard to our management of Ontario Housing Corp stock.

How have you been able to manage a good maintenance level in your buildings without increasing beyond, say, whatever the per cent is? I wanted to ask what per cent your costs or your rental amounts go up every year.

Mr Woodrow: It varies quite a bit. I am also the delegate for my co-op to the Co-operative Housing Federation of Toronto, which has monthly meetings. Every meeting starts with a little round robin, and people often say, "We just had our budget meeting and we approved an increase of" whatever. Those increases sometimes are at the rate of inflation, sometimes they are below the rate of inflation and sometimes they are above the rate of inflation. All that means is that when people see that the actual costs are above the rate of inflation, they are usually willing to pay, because they want a reasonable standard of housing.

The thing you have to remember is that for many co-operatives, the years when they have an increase above inflation are often balanced by years when they are below rate of inflation. With some of the newer programs we are still waiting to see, as the mortgage instrument itself is

somewhat inflationary, exactly how fast—in my co-op, which is 11 years old, we have dropped below the market very quickly, because we are independent of the market. We raise our housing charges, as we call them, or rents, each year to cover our actual increases in cost, and we have now dropped dramatically. I would say we are probably 40% or 45% below the market that existed when we first opened in 1979.

I do not have the statistics to say exactly what the co-op increases are. I can tell you that sometimes they exceed inflation, but that is because the people who have to pay them get to make the decision and they will make the right decision whether maintenance of the building is important or so on. Most of the co-ops are maintained extremely well, because it is the people who have to live in them who are getting to set the standard of maintenance.

Ms Harrington: And your reserve fund is something you have to—

The Acting Chair: We are out of time I am afraid. The reserve was mentioned earlier.

Ms Poole: Thank you for your presentation today. You have given us a unique perspective we have not heard before, so we do appreciate that.

I wanted to ask you about something you mentioned in your brief. When you were talking about the landlords' losses, you said maybe what we should be looking at—I am paraphrasing—is not what landlords lose but what they make. One of the things we have been grappling with on this committee is the retroactivity. We have had a number of small landlords in particular who have come before us and actually burst into tears, saying this was their retirement property, they did a lot of the work themselves, and because of Bill 4's retroactivity they would not get the money back they had put in; for instance, if they had done capital expenditures, they would not be able to get that money back. Some of them have not been able to refinance because the lending institutions have refused, and a number of them are basically on the verge of bankruptcy.

Yesterday when we were in Hamilton we had a presentation from the Housing Help Centre, which is a centre that basically assists tenants but also deals with landlords in that capacity. Their viewpoint on the retroactivity is: "Retroactive legislation is rarely justified and always dangerous. Retroactivity requires overwhelming evidence as to its necessity to justify such action." Do you feel that the retroactivity of Bill 4, which basically says that landlords who expended money may not be able to recoup it, is fair?

Mr Woodrow: When we are looking at interim legislation, when we are talking about a moratorium, in that context it is fair. Between landlords who are making claims about what it costs to operate their buildings and tenants who are facing economic eviction, I am going to side with the tenants, in the short term at least, every time. I do a certain amount of rent review work and I see a lot of claims for what landlords' costs are and what they need to be making.

To put it mildly—I do not know whether it is the landlords themselves or the fact that there is this growing body of rent review consultants—they look for every loophole

and they are often less than candid in the way they attempt to present their financial affairs. So I do not have an easy way of judging the extent to which landlords' claims for bankruptcy or losses are really there. Obviously, those landlords who go bankrupt I guess were right, and those who are threatening bankruptcy, it may be interesting to monitor if over time it happens.

But we are talking about a short-term moratorium to give a different government with a different view of what we think consumer protection legislation should be a chance to decide what the scheme will be. The landlords will be making their pitch on what is fair and what is reasonable for the long term, and I do not think for most landlords having this two-year moratorium is going to be a serious problem. I may be wrong but I think the two-year aspect—I do not have any qualms at all in saying it is the tenants who need the help in the short term, and let's look at the overall system in the long term.

1200

Ms Poole: We have certainly been hearing evidence on this committee to the contrary. I guess as the bottom line, bankrupt is bankrupt, short term or not, and many of these people will not be able to recoup. So we do face this as a problem.

One of the things the government has said is that the retroactivity is justified even if it is unfair, because there had been a massive influx of applications to rent review in 1990 and it had to be halted in its tracks. I asked the ministry for statistics on this to see whether it was backed up, because I had been told that it was a cyclical thing every fall. Much of the work was actually done in the spring and summer months as far as capital expenditures are concerned, and every fall there was an influx of applications.

The statistics I have received from rent review show that the total for 1988 for units that went to rent review was 207,882; in 1989, 179,385; in 1990, 182,641. This certainly does not seem to indicate that there has been a major influx of applications or units affected. I have also looked at the cyclical thing, looking at the fall months to see whether there has been a dramatic increase, and in fact, I think it is somewhat less than 4,000 more. This is units I am talking about now that went to rent review in the fall months of 1990, as opposed to 1989.

It seems to me the statistics do not back up their claim that there has been a huge flood of applications since this government came in power. Do you feel that, if there is no basis to show that there has been a flood of applications, in fact the retroactivity is justified?

Mr Woodrow: It seems to me the retroactivity is dealing with two different issues. One of them is the relatively long time it is taking for existing applications to get through the system. If the concern is that the increases are too high, it does not really matter whether it is because of a flood just before the period they came in or because the ones that were made two and three years ago are now finally coming on stream.

It simply does not work to say to a tenant: "Oh, by the way, your rent two years ago has now gone up by 100%. Pay it or you are out." As somebody who has worked with

tenants facing eviction, there are landlords who say: "Pay it or you are out. You now owe it, you are now in arrears. I'll give you to the end of the month to come up with it."

I am not part of the government. I am not trying to defend their figures or their claims. I am saying that the retroactivity is necessary now because the system is not working for tenants, and the rent regulation system should be consumer protection for tenants.

Mr Tilson: I would like to ask a question with respect to your philosophy as far as housing is concerned. Do you feel that the private sector has any role whatsoever in the apartment business?

Mr Hopkins: Absolutely, and we do not want to suggest that all landlords are bad landlords or any such thing as this. We recognize that society has a mix of housing forms. Co-operative housing is a relatively new housing form as compared with other forms. We believe it is a very effective one for a number of social purposes. Our organization certainly thinks it is a very good thing for people to have a choice of housing form.

In the best of all possible worlds, if the supply problem were adequately addressed—and, of course, we advocate that the supply problem should principally be addressed through non-profit and co-operative housing programs—but if the supply problem is adequately addressed, I suppose there would be much less need for rent control.

Mr Tilson: With respect to your comments on shelter allowances, I am going to ask you to help me with co-ops, because I will be the first to admit I am not an authority on co-ops. My understanding of co-ops is that a certain percentage are geared towards income, that the maximum rent is equivalent to 25% of the tenant's salary and that the province subsidizes the rest of the cost in those particular cases. In other words, it is a form of subsidy.

There has been a criticism of co-ops that many people living in co-ops assisted by the public are in fact taking away a lot of scarce affordable housing that is needed by needy people. Do you have a reaction to that? That has been a criticism that has gone around, and I have been waiting to ask someone like you, who are obviously authorities, whether those allegations correct or whether they are not correct.

Mr Woodrow: If you are willing to skip lunch, we could give you a thorough answer to that question.

Mr Hopkins: Let me start and perhaps Bruce could say something else. I am quite happy to address that. To begin with, there are two kinds of assistance that are provided to non-profit housing and co-op housing. One kind of assistance is, of course, rent-geared-to-income, which subsidizes low-income earners so that they are only paying 25% of their income on their housing.

But this has a cap on it, which in Toronto would be roughly \$30,000 or \$35,000, or something like that for a family. Anybody earning above that is going to pay market rent. When people move into the development, quite clearly the rent is set at market. It may be the low end of market but it is market. Over a period of time, it becomes a better deal for the people who are living there, partly because land speculation and other factors have driven the

market up faster than inflation outside of co-ops and partly because the members' own efforts keep down the cost of maintenance.

Mr Tilson: The reason I asked that specific question on that point, does that not go counter to your position that you are against the subsidy type of assistance?

Mr Hopkins: Let me come back to the other kind of subsidy. The other kind of subsidy I think was really more relevant. The other kind of subsidy is a supply-side subsidy that allows the co-op or the non-profit to be rented at market. If market rents are \$800 a month and the economic rent, in other words the cost of the mortgage, is going to be \$1,000 a month, then no landlord is going to build. It is understandable that no developer will build. The governments have concluded that they need to subsidize that gap—the bridge subsidy, in other words—in various ways. So subsidy has been provided to allow the the units to be rented at what the market will bear.

Those supply subsidies have not only been to non-profit developments, because over a very long period of time there has been an enormous subsidy to private home ownership in the form of the tax-free capital gain that would be made on a unit, which in Canada is something like \$4.5 billion a year of tax expenditure. By the way, we are not necessarily criticizing that, but in fact it is a tax expenditure and it encourages people to go and build houses. There are also the kind of tax expenditures that have gone to developers with investment incentives and so forth, which also are bridge subsidies.

Mr Tilson: I appreciate that, but again does that not go against your second speaker's comment as being against subsidies?

The Acting Chair: I would just caution that you have about a minute and a half and Mr Wilson has a question as well.

Mr Woodrow: I will be as quick as I can. I think there are two issues. One is that, to me, there is quite a difference between providing a shelter allowance to someone who lives in a project which has built-in rent control, because the members keep the costs at whatever it takes, and a shelter allowance provided to somebody who has to go out on the market where the market is unregulated. Landlords have said, "Get rid of rent controls and use shelter allowances for the people who need help." That is going to raise the costs of shelter allowances dramatically because the rents themselves go up. That was the point I think we were trying to make on shelter allowances.

In terms of co-ops themselves, the co-ops have always tried to be mixed-income communities. Our society had that debate in the mid-1960s and we said, "We are not sure that OHC is doing the right thing by creating these large complexes of people who are all with the same kind of income problems." Co-ops said, "We think we can do it a better way," and for two decades we have been building mixed-income communities. You cannot have a mixed-income community if you say only low-income people can live in it.

There is a whole long list of reasons why the mixed-income communities are good, but that is the model we have and we think that is the model that should continue.

Mr J. Wilson: This morning we heard from the concrete restoration association, which pointed out some serious safety concerns with some repair work that is needed in parking garages, for example.

Landlords have appeared before this committee asking that they be allowed to pass through necessary capital costs. The co-operative system seems to me to have a built-in mechanism geared to do exactly that. Have you any examples, though, even though the co-operative system is relatively new, of major capital costs that you have had to incur in some of your buildings and what the rent increases might have been then?

Mr Woodrow: There certainly have been projects with major capital costs. Most of the ones I am aware of relate to construction deficiencies by the builder that built it as opposed to sales, but there have been a few examples of acquisitions which at some point have found things.

Certainly at federation meetings we will hear people saying, "We had to swallow a 9.9% increase" or an 8.7% or whatever and everyone goes ooh and ah because we are all trying in any given year to keep roughly in the neighbourhood of inflation. I am sure there are probably examples above that. I cannot think of any offhand with specific figures.

Mr Hopkins: There are many examples where the replacement reserve system has done precisely what it was supposed to do in terms of protecting for the long run integrity of the project. For example, after 20 years, you might expect that you need a new roof or some other kinds of major repair. So although people argue somewhat about the level of replacement reserves, the replacement reserve system has basically been a good system and the people who have administered have done it in a very responsible way.

Mr J. Wilson: I guess where we have problems with that—

The Acting Chair: I am sorry. We are out of time. Thank you for coming. We appreciate your presentation today.

To the members of the committee, our research staff have put together the first draft of the breakdown of all the presentations that have been before us. Elaine, do you have anything you wanted to say?

Ms Campbell: I would just like to point out to this committee that this is merely a first draft. We will have the final copy ready next week. As much as possible, we tried to group the comments by sections of the bill, but you will notice by looking at the table of contents that there were several more comments that were more general in nature and that has led to the introduction of several overall headings.

The committee recessed at 1213.

AFTERNOON SITTING

The committee resumed at 1402

ONTARIO HOME BUILDERS' ASSOCIATION

The Acting Chair (Mr Mahoney): I will call the meeting to order. Our first presenter this afternoon is the Ontario Home Builders' Association. Welcome. We have set aside 40 minutes for your presentation and we would like that to be a 20-minute presentation and 20 minutes of questions from members of the committee, if you can accommodate that. I would invite you, for the purposes of Hansard, to introduce yourselves and begin whenever you are ready.

Mr Libfeld: My name is Al Libfeld and I am the president of the Ontario Home Builders' Association. With me today is Brian Kozman, director of policy and research, as well as Steven Blaney, vice-president of Kleinfeldt Consulting Engineers.

The Ontario Home Builders' Association represents 4,000 companies involved in this province's residential construction industry. Our members comprise all aspects of the home building sector and we are located in 33 centres across Ontario. These companies together produce approximately 80% of our new housing.

Not only do our members build new homes, OHBA's members have historically tried to address the needs of those who choose to rent. Whether through construction or property management, our members have tried to provide the best quality rental accommodation possible. Since the introduction of rent controls, however, the incentive for builders to expand the stock of rental housing has all but evaporated.

The government has stated that builders have not been part of the rental market because land costs, interest rates and other economic factors make it financially more lucrative to build condominiums or commercial properties. While this may seem reasonable, it must also be pointed out that these factors have changed for better and for worse over the past 20 years.

What has not changed during that time, however, is the presence of intrusive rent regulations which keep changing the rules by which the market is supposed to function. This uncertainty has made investment in rental construction more risky and therefore less attractive for private sector housing producers. Even more important, however, is the affect which this policy has had on the entire housing market.

To say that the rental housing market has been characterized by Band-Aid politically opportune policy-making would be understating the problem significantly. In many cases, the rationalization for rent controls as a means of ensuring an adequate supply of affordable rental housing has been based on misinformation and rhetoric.

With the introduction of Bill 4, the extent of the problems in the rental market has been once again exaggerated, resulting in cries for radical reform. OHBA does not question that there have been abuses, but even the Ministry of

Housing's own figures indicate that the horror studies are low in number.

The question then becomes how to best deal with the problem cases while not unfairly penalizing the rest of the industry. Adequate protection for tenants must be fundamental to any housing policy. OHBA respectfully submits, however, that it was not increased protection from high rent increases or concerns about rent review legislation complexities that prompted Bill 4's introduction, because if this were the case the draconian nature of the legislation could not have been justified since the problems are not as pervasive as the government would have people believe.

Rather, the true purpose of the bill was outlined by the Premier in a 1989 interview. When asked how to go about getting rental units out of the hands of larger owners and into the hands of co-ops or tenants, he said: "You make it less profitable for people to own it. I would bring in a very rigid, tough system of rent review. Simple. Eliminate the exceptions and loopholes. There will be a huge squawk from the speculative community, and you say to them, if you're unhappy, we'll buy you out."

Ladies and gentlemen, the above statement sets a very dangerous policy direction. This province and the taxpayers cannot afford that type of policy direction. The people who rely on the jobs produced through renovation work to rental buildings cannot afford that type of policy direction. Finally, the tenants who believe that capping rent increases at some artificial level is good for them will find that they are living in deteriorated buildings and cannot afford that type of policy direction.

I would like to explain why OHBA believes that Bill 4 represents a policy that does all the wrong things to all the wrong people. In a normal housing market, an upturn in the business cycle prompts investors to begin new rental projects. Home owners create rental suites. Existing units are vacated as the economy improves and low-interest rates allow more renters to become home owners. Lower-priced apartments become available as some renters of older units move up into the new buildings. The net result is an increase in the stock of all types of rental units and increased opportunities for low-income people to have access to lower-priced units. That type of market is not the one that exists today, and it would not exist even if economic conditions were much improved from what they currently are.

The housing market relies on its ability to attract potential buyers from many sectors: immigrants, newly married couples, move-up purchasers, etc. It has also relied in the past on renters who desired the opportunity to create equity for themselves through home ownership. As renter incomes increased, the propensity was to seek higher-priced housing, whether rental or ownership. As rents increased in a properly functioning market, there was a complementary element to apartments and single-family homes.

Rent controls remove the incentive to move up by keeping rents artificially low when compared to house

prices. The disincentives to move up were reinforced during the recent economic boom by a housing market with few moderate-cost housing options. The only windfall of rent controls fall therefore to higher-income people whose rents take up a disproportionately small portion of their income.

The standing committee has already heard that 43% of tenants pay less than 20% of their income towards their rental housing costs, and more than three quarters of those tenants earning more than \$45,000 per year spend less than 20% of their income on rent. As one developer has put it: "We've got plenty of low-income housing. We've just got upper-income people living in it." So on the one hand the rent control regime has benefited well-off tenants. Unfortunately, it has benefited nobody else.

Hardest hit have been those who were intended to be helped by rent controls, lower-income people. Because of their inability to get into lower-priced rental units, these people have been forced to pay more than an acceptable portion of their income for housing or they have been forced to accept substandard housing. In both cases they have been the losers.

As American housing experts Peter Salins and Gerard Mildner point out, "That rent control helps the rich rather than the poor is the greatest perversity of the system....If the net result of rent regulation is to make the rental market somewhat harder on the less fortunate, and easier for the rich, why have rent control at all?"

Bill 4 will make this situation worse. By simply sticking its head in the sand and refusing to accept the realities of how the market functions, the provincial government will economically condemn lower-income people to less housing and greater financial hardship.

Ontario's overall housing stock is being damaged by this shortsighted policy direction. Rent controls have provided little incentive for investors and builders to construct new rental apartments. Prior to rent controls, it was not unusual for our industry to build 30,000 or 40,000 units per year. Since 1975, the private sector has never come close to matching those numbers. It is now normal to build only 6,000 to 8,000 per year.

The greatest tragedy of this and the legacy of rent controls is that the rental stock that has not been built over the past decade and a half would be the affordable housing of today. Even sadder is that this lost opportunity can never be recouped in today's environment.

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Bill 4 means that our industry will further lose the opportunity to build new apartments or attract tenants with the means to buy our homes. This is unfortunate since current market conditions have prompted more lower-priced homes and multiple family units to be marketed.

At a time when our industry and our employees are experiencing a severe downturn, one more policy which puts up an obstacle to getting people back to work is irresponsible and regressive.

The transitional rules of Bill 4 are perhaps the most regressive aspect of the legislation. By prohibiting applications, orders and phase-ins which have an effect date of 1 October 1990, the government will wipe out the investments made by

hundreds of landlords who applied for and received rent increases to cover legitimate capital improvements.

You have heard of numerous examples of just how far back in time the retroactivity aspect of the legislation will apply. Many landlords have in good conscience made commitments in anticipation of recouping their investments. Bill 4 unfairly punishes them for their forward planning, especially small landlords whose rental investments take up a larger share of their equity.

Last week in the *Financial Post* the Minister of Housing indicated, "Bill 4 was introduced to stop the system in its tracks by placing a moratorium on high rent increases." The only thing that has been stopped in its tracks by Bill 4 is this government's purported commitment to fair and honest policy-making.

The high rent increases which the government keeps referring to are few in number. Their own statistics bear that out. Yet we still hear about the prevalence of triple-digit rent increases and economic eviction of people by the thousands. As the Fair Rental Policy Organization pointed out in its submission to the committee, less than 1% of Ontario's rental units receive increases of 30% or more. Only seven hundredths of 1% fall into the 100% and over category for increases.

It would seem appropriate, therefore, for the government to act responsibly by credibly and statistically illustrating the magnitude of the problem it perceives rather than simply parading out individual situations which we all agree should be dealt with in a just manner.

It is not only landlords who have been hurt by the retroactive application of the bill; the renovation industry and the material supply companies which rely upon it have been damaged as well. This is especially important because of the depressed state of our economy. Renovation work is extremely labour intensive and accounts for almost as much activity as does new home construction. Bill 4 ensured yet one more reason for an employer to make cutbacks.

The day after the legislation was announced, landlords who had committed to work or were already under way with repairs saw the writing on the wall regarding their capital investments. Their reaction was not unreasonable and swift. They cancelled renovation projects and threw out of work hundreds of workers.

Our association cannot understand why this government, with its first major policy move on housing, encouraged a decrease in employment in the construction industry. If the province, with its permanent version of a new rent control law, fails to take into account legitimate capital improvements, more job losses will be felt in the future.

The other major group to be hurt by this legislation will be the very people the government believes it is helping, namely, the tenants themselves. Bill 4 will accelerate the eventual decay and deterioration of Ontario's rental housing stock. It will do this by making it economically impossible for landlords to pay for the costs of repairing heating systems, balconies, plumbing systems and leaking roofs.

While landlords will suffer, tenants who have to put up with the resultant problems will be hurt as well. This does not bode well for our housing stock. The Ministry of Housing estimates that current stock needs \$10 billion in repairs in order to bring it up to existing standards. Unfortunately Bill 4 will make that likelihood of those repairs more uncertain.

It was interesting to note that the Minister of Housing recently made a commitment of \$15 million to the repair of rental buildings. This amount could be eaten up by the repair costs of three or four parking garages which have succumbed to salt corrosion. Are you prepared to hand over more cheques as more problems are identified? As indicated earlier, the taxpayers of Ontario cannot afford this type of policy direction.

The precedent which the province has set by stopping all orders as of 1 October 1990 is a harmful one indeed. There is little justification for changing the rules of the game after the game has started. There is absolutely no legitimate reason for doing it based on misleading information and political rhetoric.

I have already made reference to the fact that Bill 4's rent limits on capital expenditures will ultimately damage the quality of our rental stock. They will also undermine the investment which landlords, investors and the financial institutions have in that stock.

In order to give the standing committee a better view of the ramifications of this provision of the act, OHBA has invited a consulting engineer, Steve Blaney, to address the issue more fully. I would like now to turn it over to Steve.

Mr Blaney: Thank you very much for the opportunity to address the standing committee on general government regarding Bill 4. My opinion is based on over 15 years' experience as a consulting engineer and vice-president of an engineering company specializing in the field of building science, science surrounding buildings.

In the course of our work my staff and I have had the opportunity to inspect many types of residential buildings, some of which provide rental accommodation. I am concerned that the 24-month hiatus in the recovery of capital expenditures created by the uncertainties surrounding Bill 4 will prevent landlords from completing major repair programs. This, while protecting some tenants from short-term rental increases, will ultimately result in the need for considerably higher future rents or direct government assistance in order to provide for the replacement of deteriorated building components.

Correct building maintenance requires scheduled repair and replacement of components in order to obtain the maximum service life from items such as parking garages, roofs, mechanical equipment. If, due to the lack of capital funding for this work, required service of these items is deferred for two years or more, the eventual cost to repair or replace these components will be very much higher. This situation should concern the Ontario government, because much of the Ontario rental housing stock has reached an age when major replacement of aged equipment is required. Bill 4 amending the Residential Rent Regulation Act will not stop the clock and prevent further aging of our housing stock.

The situation surrounding parking garages is one of the better examples of this problem. It is well known that corrosion of steel reinforcement within reinforced concrete parking structures has resulted in a need to complete major repairs to almost all older buildings. If, due to the lack of funds, waterproofing membranes required to protect the slabs from old salts are not repaired when scheduled, chlorides could penetrate existing or even previously repaired concrete within the parking structure. This would irrevocably aggravate the corrosion process that would within a relatively short period of time require structural repairs costing much more than the simple replacement of the waterproofing system.

The inability of some landlords to recover expenses for capital expenditures as a result of Bill 4 may prevent completion of structural repairs to already falling and deteriorated concrete of parking garage slabs or balconies. These delays could eventually require the complete demolition and reconstruction of that portion of the structure. This is because the rate of structural deterioration, once initiated, progresses rapidly to previously unaffected areas unless checked by proper repairs.

The Acting Chair: I must tell you that your 20-minute time period for presentation is up and we do have questions. If you want to wrap up at this time, we could go to questions of committee and perhaps address some of your concerns there.

Mr Blaney: I will wrap up. It is my position that the proposed changes to the rent regulation system, if enacted, will not protect the Ontario rental tenants in the long term if the landlord is not given the ability to recover expenses for major capital expenditures.

1420

Mr Tilson: My question is with respect to Bill 4 specifically and its philosophy. As you know, on 18 February the minister is going to be introducing his paper on the permanent legislation, which will probably make Bill 4 redundant—which makes us wonder why we are doing all this, because we will have to do it again. I am sure you people will be coming to read your speech again.

I have listened to your comments as to what will not be done by landlords. We have had landlords come and say they do not have money to do this, they do not have money to do that, in some cases not even to keep up maintenance, let alone capital expenditures. This weekend there were two major articles in the *Toronto Star*, one on each day, with respect to the slums of New York. I do not know whether you read those. Many of us have. My question is: If the philosophy of Bill 4 is maintained in the permanent legislation, can the tenants of this province expect to anticipate the slums of New York in Ontario?

Mr Libfeld: We are heading in that direction. I am not an expert on housing with rent control, but we are heading in that direction. The housing stock we have will deteriorate, because people will be making the decision not to invest, not to hire the renovation contractors, and it is the wrong direction to be going in.

Mr Blaney: I recently interviewed property managers and owners of rental accommodation representing 60,000

suites in Ontario for the purposes of redoing the life expectancy of major capital items in buildings. My observation was that by and large many landlords, even through the early 1980s, continued to do the required repairs. Unfortunately, because of the length of time the rent review system has existed and primarily, as I said earlier, that most of the buildings in this province are at least 20 years old, the exponential curve is at the high end now and this is the time when the major portion of those repairs are going to have to be completed. If there is no money to do them, you will definitely see a deterioration; if you drive around the city, you will. I know of single housing projects that currently require over \$25 million of investment in order to bring them up to standard.

Mr Tilson: I think that is the major issue, that 75% of the buildings in Ontario are 20 years old or more. That is the real issue that concerns me, because Bill 4 does not appear to address the issue of capital expenditures. Tenants' rents are going berserk. They cannot pay for them, in many cases. Landlords are saying they do not have the money to do it, and that is why I asked that question.

Mr J. Wilson: To continue along that line, we have heard time and time again, and will hear before the committee adjourns these meetings, that there is a real frustration out there from tenants that, in their view, landlords have not kept up the buildings all the way along when they have been paying—a portion of their rent increase each year is supposed to go into a pot to look after capital construction, required projects. The explanation we get from the industry is exactly what you said. It has hit a peak now, 20 years, but I would like to give you an opportunity to expand on that further because there is a real frustration out there with tenants who do not understand why the crunch is suddenly on now, and what were the landlords doing with money prior?

Mr Blaney: I certainly cannot comment, because I am not a landlord, on how landlords use their funds for capital improvements, but certainly in the case of condominiums, they put money aside in a reserve fund pot. I know a few private landlords, including commercial building owners, who developed sinking funds for capital repairs. In fact, in my experience, we have tried to encourage the municipalities to put aside sinking funds for capital repairs. They are very reluctant to do it because you have to put money aside now for some time in the future. However, I think you are reaching a problem that the cash required to make the repairs is extremely large.

Mr J. Wilson: Just to continue playing devil's advocate, you mentioned in your brief that with the removal of rent controls—I assume that means that if developers were given an assurance they would never come in again—we would start to see an increase in the number of rental units coming on market. But there have been other studies to indicate that this is not necessarily true. What do you say about that? Because the committee is grappling with two sides of that issue also.

Mr Libfeld: You are opening up the marketplace, and the marketplace will adjust. When the economics

get better—interest rates are presently going down, land prices are presently down based upon the recession—there would have been opportunities for people to build rentals, to build condominiums today, if rent controls had been removed. That will continue. There are opportunities up and down the line because costs and interest rates have come down. When we dealt with it six months ago, a year ago, the interest rates were very expensive and land was very expensive, but that is not the case now. It is coming more into line and people could be making decisions, proper business decisions, to build a building presently for rental and maybe down the road that they will sell it as condominiums or whatever the case is. But increasing the supply side of the equation, has been completely neglected in Bill 4.

The Acting Chair: Ms Harrington.

Ms Harrington: On your second page you mentioned that the legislation in the past has been characterized by Band-Aid, politically opportune policy-making, and you mention misinformation and rhetoric it has been based on. I would like to assure you that it is not rhetoric this legislation is based on. We now know very solidly that the system that has been in place is not working; it is not working for anyone. It is very important now that we have this breathing space, which is Bill 4, so we can move next Monday to the discussion paper and decide as quickly as possible what we are going to do with new legislation and have it so that it works. We have to have some kind of rent controls which are fair in this province. In effect, that will probably benefit your organization, because if people have affordable rents they can save in order to buy a home.

You also mention the retroactivity. For some people it has not gone back far enough, because when we set 1 October as the deadline for this, 130,000 tenants are still going to be affected by pass-through of rent increases from the previous years. No matter how far back we go, or put it forward in the future, we cannot do justice; we are always going to hurt one side of the equation.

In your presentation you gave your overall view of housing in Ontario. I would like to assure you that in the future of housing in Ontario, we want the non-profit housing, we want the private rental stock—we want that to work well and efficiently; we want landlords to make a fair profit and to treat their tenants correctly—we want new home builders. Part of the equation is even Ontario Housing Corp; we want to improve that. So there are many parts to the whole picture.

The Acting Chair: Do you have a question?

Ms Harrington: I would just like to say that I do not agree with the trickle-down theory, where people move up in houses and then you can let new people into the market. In British Columbia, with rent controls taken off there, that did not encourage any new apartment building.

Last, I want to point out that repairs are included in the guideline increase every year. Landlords do have money for repairs.

I would like to turn it over to Ms Ward.

1430

The Acting Chair: If we could ask a question, it would be appreciated. These gentlemen have come here for that purpose.

Ms M. Ward: I do have a question, but first I will explain where the question arises from. You, along with some other groups, I believe—the Association for Furthering Ontario's Rental Development and so on—have quoted the Premier's 1989 interview. There is one word there I want to ask about, in the line that says, "There will be a huge squawk from the speculative community." I have wondered, when I hear people quoting the Premier and using this to condemn him, whether they are implying their approval of speculation. Can you tell me what you think speculation adds to our economy in the way of goods and services? I do not feel speculation is a good use of our investment funds. Can you explain to me whether you support speculation?

Mr Libfeld: First, the word "speculative" was the Premier's word.

Ms M. Ward: I understand that, but by using this you are passing a judgement on it.

The Acting Chair: Let him answer. You have asked the question.

Mr Libfeld: I am not passing judgement on the way he is using the word; I am passing judgement on possibly where he is going on it. As far as your question goes, I have used "speculative" as investments. This industry has made the investments in the land and the buildings that are presently housing all the tenants. It is the industry that did it. Without that speculative investment, without that commitment to going out and buying the piece of land, getting the mortgage, borrowing the money from the banks to build those individual houses, none of these units would get done. In that regard, I am all for speculative investment.

Ms M. Ward: Well, that is not my interpretation of speculation. My interpretation of speculation is buying something already existing in the hope of it increasing in value and selling it. I think that would be the general public's understanding of speculation, not investment that builds something. So you have a different interpretation.

Mr Duignan: The brief presented this morning by the Federation of Metro Tenants' Associations tackled one of the myths or arguments often used by landlords, that rent control will create slums. A study done for the Senate rules committee in California found that after a decade of rent control in Santa Monica roughly the same percentage of tenants reported their units in better condition than when they first moved in, 18%, as in a worse condition, 19%, while a vast majority, 64%, reported no change. I wonder if you have some comments on that.

Mr Kozman: First of all, we did not make reference to that in our presentation. I had a chance briefly to take a look at the federation's brief when we came in the room. The problem we have with rent controls is the incentive it creates from an economic standpoint. Al made reference in his remarks to it doing all the wrong things to all the

wrong people. From our perspective, in terms of making an environment where it is profitable—not from a dirty or bad standpoint—where it is reasonable for a landlord to make a fair rate of return on his investment, that is what we want to see engendered in a rental housing policy.

We have never said, however, that we do not want to make that investment, that we do not want to keep up with the maintenance. We do. The opportunity has to be there in the legislation and engendered in the legislation to allow us to do that. Bill 4 does not permit that; in fact, it goes backwards. Even though you made some good planning decisions about where you see repairs necessary in your buildings, the legislation says you cannot recoup those moneys, you cannot recoup that investment.

A number of people who have come before the committee—and we have had a chance to take a look at Hansard and see the newspapers and what not—are saying to you that it is just unfair. That kind of policy is going to hurt them. They cannot make those repairs, they cannot foresee salt corrosion in their parking garages, they cannot foresee that their boiler is going to break down after a 25-year process. There has to be provision in the legislation to recognize those things.

Mr Cleary: I was very interested in some of your comments, and I met with some of your group as late as last Saturday. They are trying to plan their spring and summer activities right now, and are finding it very difficult if Bill 4 comes into place. As you represent some 4,000 companies, do you think the lowering of interest rates, would make any difference even if Bill 4 does go ahead?

Mr Libfeld: That will make a difference in the economy. As far as the rental is concerned, it will not make that much of a difference.

Ms Poole: Thank you for your presentation today. In the final paragraphs of your brief, you ask that Bill 4 be significantly amended or preferably withdrawn. We are trying to determine what amendments would be fair and what would make Bill 4 a better piece of legislation.

Other than the retroactivity, which you have gone into extensively in your brief, what amendments do you see could be made to Bill 4 to make it an effective piece of legislation, yet at the same time foster a little better sense of goodwill between landlords and tenants than appears at this moment?

Mr Kozman: The retroactivity is a big aspect of it, but we would also like to see a recognition in the legislation that takes into account that there are buildings out there that are deteriorating. They are at the peak of their life cycle in terms of the components that go into them. It will be the boiler, the appliances, those sorts of things.

We would like to see recognition in the bill that allows landlords to make that investment, to continue making an investment, and to know that once they do make that investment they can recoup those costs in a fair way; not one that penalizes tenants but one that allows the tenants to live in a building that is habitable.

That is just not in that legislation right now, so that is one of the amendments we would like to see.

Ms Poole: I agree with you about the protection of our aging housing stock. Many of our rental housing units right now are not in very good shape. They are 20, 40, 50 years old, and the decay does concern me. I think we can make amendments to the legislation to address that, but there is one thing I would really like your comment on.

I think you have acknowledged in your brief that some landlords have abused the system, if I can use that terminology. A Ministry of Housing official said I should actually use something more like "took excessive advantage of the system", but for simplicity's sake, there has been abuse of the system by some of these landlords. What do you propose that would penalize those landlords and at the same time not punish those landlords who are taking care of their properties, who have a good rapport with their tenants and are not coming out with outrageous rent increases—those who are dealing with the problem in a forthright way?

Mr Libfeld: Basically, deal with them on an individual situation. The system, because of the few that are abusing the system, should not be changed to this drastic direction.

Mr Kozman: With respect to the Metro federation of tenants, they made a representation this morning which said the legislation tends to influence people's decision-making. Rather than taking a look at penalizing landlords, put in place legislation which encourages them to do the right thing, which encourages them to continue looking at their building as a long-term investment, which most of them do right now, and to continue taking into account the fact that they have tenants who want to live in decent, affordable accommodation.

You can put in place the mechanisms that say we want to ensure that the building stock that is there stays habitable. You can put in place mechanisms which do not necessarily penalize bad landlords but encourage them to undertake the necessary investment to keep those buildings in good repair.

Ms Poole: I might agree with you about providing the incentives for landlords to take good care of their buildings and not charge excessive rent increases at the same time, but I have a problem with not penalizing landlords who do abuse the system. I think we have to tighten the system up so that it does not take place. For instance, if a landlord, in the opinion of the minister, does engage in ongoing deliberate neglect and does not do the day-to-day maintenance and does not take care of the repairs that need doing, do you see that perhaps he should forfeit the right to a statutory increase, any increase at all, even the guideline amount?

Mr Kozman: In those cases I think it is appropriate. When you have situations where a landlord is deliberately taking advantage of the system to the detriment of the tenants, there should be a mechanism in place to deal with that and there should be a stick. But there should also be a mechanism to say the legislation is so complex now that you have people trying to ferret their way to find out the loopholes and those sorts of things. Not all landlords do that, and I think most tenant-landlord relationships are

good ones. If there are instances where landlords are taking advantage of tenants, there should be an opportunity for the minister or for the municipality to come down hard on them. Whether in fact that person should lose the opportunity to have an increase, I do not know; I am not a rent control expert. I would rather see a situation put into place whereby he can be forced to make the necessary repairs. I do not know that taking away his opportunity to get increases which can help him recoup those costs will achieve that goal.

The Acting Chair: Thank you for appearing today. We appreciate your brief and taking the time to come before the committee.

1440

MICHAEL WALKER

221/265 BALLIOL STREET TENANTS ASSOCIATION
NORTH TORONTO TENANTS' NETWORK

The Acting Chair: Our next presenter is Councillor Michael Walker. I should announce that two other rooms have been set aside where this is being televised internally, room 230 and room 180 down the hall, where there is apparently an overflow crowd of, I presume, supporters of Councillor Walker. They are there and welcome to watch us from there.

Mr Walker: They are supporters of Bill 4.

The Acting Chair: Whatever. You have been given the same as everyone else sir, a total of 40 minutes, 20 for your presentation and 20 for questions; I will try, as I have, to stick to that, with your help.

Mr Walker: Mr Chairman, I would like to introduce Sue Henry. She is chair of the North Toronto Tenants' Network, and Sue Farrell and Brian McGee are the co-chairmen of 221 and 265 Balliol Street complex, the notorious one from the courts.

I am here today to tell you that Bill 4 is the first good news for tenants coming from Queen's Park in a long time. The provincial government is finally making an attempt to stop huge rent increases, and it is crucial. Many tenants are getting close to facing economic eviction from their homes. As the Honourable Dave Cooke, the Minister of Housing, said in his statement to the Legislature of 28 November 1990:

"During the past three years, more than 330,000 tenant families have faced increases above the rent review guideline. In some cases, tenants have been required to pay rent increases of more than 100%. For many, this was tantamount to ordering them to leave their homes."

The Residential Rent Regulation Act is simply not working and it must be changed. One of the tenants said it all in her letter. It was addressed to the previous Minister of Housing and I received a copy of it:

"My landlord has applied for a 70% increase through the rent review board. The fact that a landlord can even apply for such a hefty increase is proof of the inadequacy of the current legislation and an insult to every tenant in this city."

That is what rent review under the Residential Rent Regulation Act is: an insult to tenants.

There are two major problems with the Residential Rent Regulation Act. First, unnecessary luxury renovations guarantee big increases, not maintenance work. One tenant said this: "Driveways to apartments are filled with potholes. The plumbing needs replacing as the sinks back up, the toilets often require repairing due to old pipes." However, the work that was done on his building was "a new mirror and pedestal sink in the bathroom, ceramic tiles and a mirror for the kitchen, microwave ovens and dishwashers, sliding mirror cupboard doors in the bedroom"—I am wondering, he seems to have a fetish on mirrors—"and prints of famous paintings and a carpet in the hallways."

Tenants of 221 and 265 Balliol Street in Toronto took their landlord to court. The landlord began doing costly renovations that included the installation of dishwashers, all new windows, new kitchen cabinets and counters and bathroom vanities, luxury renovations. The requested increase: 39% in one year.

As their local representative, I took their case to Toronto city council. My colleagues agreed to give these tenants, on behalf of all tenants in the city, the necessary financial support so that they could fight this matter in the courts on an equal footing with the landlord. The landlord finally won that appeal. The escalating costs and delays in getting their case heard prevented the tenants from continuing their battle.

Landlords who buy buildings are allowed to recoup some of their financing costs through increases in rents to a maximum of 5% per year above the legislated rent increase amount. The tenants ask, "Why should we pay thousands of dollars more a year in rent just because we have a new landlord?" Nothing has been done to their apartments. The provision allowing to pass through financing costs serves as an incentive for apartment building owners to flip properties to gain accelerated rent increases. Tenants are subsidizing a new owner's mortgage costs.

The Residential Rent Regulation Act, as it is presently constituted, is creating a situation where capital expenditures are an effective method of raising rents significantly. That boosts the landlord's revenues and adds to the building's resale value, which in turn encourages flipping of the rental properties. In short, the legislation creates a vicious circle of rent increases for tenants and it must be fixed to work better for both tenants and real landlords.

Motions that the city has placed relative to the old Residential Rent Regulation Act: Over the last several years, I have taken a number of initiatives, along with several other councillors, most particularly Councillor Kay Gardner, through Toronto city council to make amendments to the Residential Rent Regulation Act, culminating with a meeting with the old minister last June. They all fell on deaf ears, and I emphasize "all."

Bill 4 offers real help. It limits the number of opportunities for a landlord to get a rent increase above the guideline, which is 5.4% in 1991. Only moderate rent increases above the guideline to help cover some operating cost increases which are clearly beyond the landlord's control will be permitted. Increases to finance luxury renovations or the flipping of apartment buildings would no longer be allowed. Good. Hurray. No rent increases arising from

capital expenditures will be permitted. Bill 4 is good legislation and I would like to express my full support for it, on my own behalf but also on behalf of tenants.

Real, reasonable landlords will not be penalized by Bill 4. Bill 4 calls to task landlords with an eye only on the fast buck and who neglect their buildings and their tenants. Many landlords have been neglecting their buildings for years and now they are trying to catch up. They got caught. Little repairs, when neglected over time, become big repairs and very costly.

What is needed to make this moratorium work? Bill 4. I feel that the moratorium will work well if it is supported by a new strengthened provincial legislation that would help the city, and most particularly Toronto, to enforce the housing standards bylaw. The city of Toronto has a good housing standards bylaw to help maintain property standards. The problem is that fines for bylaw violations are not high enough. They are like a slap on the wrist. To have some meaning, these fines have to be much higher.

Some progress has been made recently in dealing with environmental polluters: high fines and even jail sentences. I would like similar tough measures applied for prosecutions under the housing standards bylaw, the building code, the fire code and other city bylaws which deal with matters relating to housing, especially when we deal with repeat offenders.

Also, what we need at the municipal level is to expedite prosecutions. It is not enough that the fines are so low, but it takes, also, years before cases are heard by the courts. Take, for example, charges that were laid by the city's buildings and inspections department under the bylaw for not providing adequate heat in apartment buildings. We have some landlords in north Toronto, most particularly on Eglinton Avenue East, who are repeat offenders. But what incentive is there for such a landlord when he knows that his case will not be heard for years? Will he care to provide adequate heat in the meantime for the tenants? The answer, through experience, is no.

City council asked the old provincial government last April to create a municipal division in the provincial court which would consider any municipal matter with which it was constitutionally possible to deal to expedite prosecutions. Tenants really do need a municipal court.

To make the moratorium work better, we must create a reserve fund for capital expenditures. Moneys received from rents should be deposited in a separate bank account for the purpose of establishing a reserve fund for each apartment building. These moneys are to be used, in my opinion, only for financing capital expenditures associated with that building, such as roof replacement or repairs, new plumbing and risers, garage repairs, etc. The reserve fund should be subject to an annual audit by the provincial government. There should be a significant financial penalty for landlords who fail to open such accounts and make the required deposits.

In closing, I would like to say Bill 4 is a good start and today is the first time I have heard they are working on the new legislation, the permanent legislation. I fully support it on behalf of the tenants in my ward and in north Toronto and in the city and feel it is a definite benefit to tenants. In

the long run, I am hoping that the New Democratic Party government in Queen's Park will keep its election promise to tenants of rent controls with a single increase each year based upon the rate of inflation. Thank you very much.

Brian McGee and Sue Farrell are going to be speaking on behalf of their association.

1450

The Acting Chair: You have about eight to nine minutes left in your presentation time.

Ms Farrell: Brian and I represent approximately 500 suites and 900 tenants as part of the 221/265 Balliol Street Tenants Association. One of the things we have acquired during the past two years, along with the injunction we sought against certain luxury, unnecessary renovations, is a wealth of experience, first with forming the tenants' association, right through to attending at the Court of Appeal.

In this limited time it is impossible to cover all our points. However, we invite you to read our submission. We support the government's effort in Bill 4, but it does not solve all the problems. It is a short-term measure.

At this time, Brian will cover the highlights and problems and recommendations in our submission.

Mr McGee: A tenants' organization today must be prepared to spend a very great deal of time and effort if it is going to have any success and even if it is going to come to understand the proceedings.

In our efforts we have had to deal with the city solicitors, city councillors and city hall, get our own lawyer, form an association, deal with rent review, the Rent Review Hearings Board, the Minister of Housing, the Ontario Supreme Court, the Court of Appeal, the landlord's lawyer, the landlord himself and a property management office. We all have regular daytime jobs and we have found it necessary in the last two years to spend literally thousands of hours of our time trying to sort our way through all the legislation, all the structures that have been put in place.

Along the way we found it necessary, as Mr Walker has pointed out, to engage in a very considerable level of financial management and administration. At various times this association, by itself, has been responsible for upwards of \$160,000 of legal obligations. This includes a security bond that was posted on our behalf by the city when we did go to the Ontario Supreme Court; city loans of \$43,000, which we were and are obliged to pay back, and tenant fees and funding, plus donations from other tenant associations which have come to us of over \$68,000. All of this has been necessary to support our efforts, first, to come to an understanding of and, second, to be able to deal with the problems we have faced in the last two or two and a half years. These encompassed, principally, a 39% application by the landlord, followed by a 16% application.

In our efforts we have attempted to identify the problems in our submission and we have identified them in four general categories. First of all, what exists today is a patchwork quilt of legislation and a maze of structures which provide obstacles rather than remedies to those who seek and require access. Second, the system is not timely. It is not responsible, nor does it respond in a timely fashion

to those who seek remedies. Third, rent increases cannot be guaranteed as of right. Fourth, the ability of tenants to control or have reasonable input to their rights to quiet enjoyment of their home is severely limited or constrained.

In considering these problems, we have made, again, three very general statements of recommendations. Our submission contains the detail behind these. The first is to consolidate all laws respecting residential landlord and tenant matters; second, to consolidate all agencies and regulatory bodies respecting residential landlord and tenant matters; third, legislation must impose financial and management accountability.

We have added some items we hope that you would be able to consider and we have added other initiatives we feel are necessary. In addition, our presentation provides a tenant commentary and a background for your information on the 221/265 Balliol Street Tenants Association.

In closing, I would like to read the last paragraph of our tenant commentary.

"The freshness of this government has the opportunity to preserve and enhance the rental stock of the province; to protect and nurture it until it can be self-sufficient. The window of opportunity is there but the question remains whether or not it will be managed successfully. While we recognize that there are many 'good' landlords, it is equally true that many are not. It is not our objective to restrict the ability of a landlord to earn a reasonable...profit, but to ensure that fiscal and social responsibility are functions of the profit equation."

We would like to thank you very much for having this opportunity to speak with you.

The Acting Chair: Thank you. Does that conclude your presentation?

Mr Walker: Well, Sue Henry is right here and she has made a brief submission. It answers these two points.

The Acting Chair: All right. Please go ahead.

Ms Henry: I am here today representing the North Toronto Tenants' Network, the boundaries of which are Bayview Avenue on the east, Bathurst Street on the west, St Clair Avenue on the south and Lawrence Avenue on the north.

I am also here today, along with Michael and my colleagues here, to support Bill 4 and ask that it be enacted while the present Residential Rent Regulation Act is under review. The act needs a major overhaul in order that it is both fair and equitable to both tenants and landlords and also understandable by both parties. Tenants are getting shafted by a piece of lousy legislation which is both incomprehensible and insidious.

Tenants are powerless under this act and are living in fear wondering whether or not they will be able to keep their homes pending receipt of rent review orders, which in most cases are one and a half to two years behind because the bureaucrats cannot deal with the backlog, in spite of hiring more than 1,500 civil servants to deal with the legislation, and I might add, at the taxpayers' expense.

Do not believe that landlords cannot make a profit with government guidelines of 4.6% or 5.4%. This is simply not true. Many landlords in north Toronto have never filed

under the rent review system and have maintained their buildings year after year. They are in no financial difficulty. And if you cannot afford to buy a building, do not buy it just to speculate and then go after the tenants to pay for the financial losses incurred.

I respectfully request that all members of this committee request their colleagues to pass Bill 4 as soon as possible. Thank you.

The Acting Chair: Do you have any final comments, Councillor Walker, or requests?

Mr Walker: No. The language here has been much sanitized over some of the true gut responses that people have towards their experiences with the Residential Rent Regulation Act, but we are all civil individuals.

The Acting Chair: Okay, we will go to questions then. Mrs Poole.

Ms Poole: Thank you for your presentation today. I feel like this is old home week with all my colleagues and friends from north Toronto here. First of all, the 221/265 Balliol situation, which Sue Farrell and Brian McGee certainly spearheaded the effort on, was a situation where the landlord had applied for a 39% increase, the first of a number that he intended to apply for. The work that was done was extremely shoddy, very high-priced, and there were allegations that perhaps he was doing inappropriate things for the funds. By the way, I should mention to you I have immunity on this committee because it is an extension of the Legislature; you do not. So I can say outrageous things but just be careful yourself that you do not get caught for libel or slander.

The Acting Chair: But you will not say outrageous things.

Ms Poole: No, of course not. The landlord, Mr Pieckenhagen, had created a number of difficulties. Because of this case, it went to the court and the tenants actually received the injunction that was mentioned in their brief. Mr Pieckenhagen recently got his rent review order, which is 29%, and he has appealed that because he feels it is not enough. In my viewpoint, he is one of the landlords who has made amendments to RRRA necessary.

What I do have a problem with in Bill 4, though, is the fact that there is no provision whatsoever for necessary repairs, even repairs which you as tenants would agree are deemed necessary. Instead it just—blanket right across the board—says that there will be no rent increases whatsoever allowed above the statutory with regards to capital repairs.

The government members have said: "But it is just temporary, it is just interim. Don't worry about it," but I am concerned because in my office over the last four years there have been, I would say, almost as many calls about maintenance and repairs as there have been about rent increases. Tenants want a decent place to live.

If there was a provision in this act which provided that only necessary repairs could be considered, that there was a cap on it; if there was a further provision saying that, if the landlord had engaged in ongoing deliberate neglect, he could not get the money; if there were safeguards to provide for the quality and value for money of the work that is

done, those types of provisions, could you live with that as interim legislation while we determine what we can do? I will ask this of both Sue Farrell and Brian McGee.

1500

Mr Walker: I would like to answer as well because—

Ms Poole: Well, I would like them to answer first, Mr Walker. I do not have much time. I am sorry. That is why.

Mr McGee: Our submission contains recommendations that are not inconsistent with what you have suggested. Certainly caps are very much in favour. We do not feel there is any opportunity for movement away from a requirement that a reserve account be set up. We appreciate it in the short term. We do not feel we are in a position to define exactly what that short term would be, whether it is five, seven or ten years. While that reserve account is being built up, it may be necessary to review on a case-by-case basis applications for exceptions.

But we have tried to cover off in the detail behind our three major recommendations in here that, yes, in all possibility, especially in the short term, there would be exceptions and there should be a provision, but that should not automatically mean a granting of an exception.

Ms Poole: So you would not have a problem with a provision in the legislation which provided that necessary repairs could be considered for a rent increase as long as it was a moderate amount and it had those other safeguards?

Mr McGee: As we have said in our submission, if I may quote: "Landlords must be required to provide a minimum high standard," and without doing that, they should not be allowed increases of any type at any time.

Further, we have suggested a potential solution may be to have landlords licensed and if they did not live up to their requirements, that licence ultimately could be revoked. But as far as capital expenditure programs are concerned, we feel it has to be justified up front and prior to the initiation of a program of that nature. If the justification satisfies the people, whether they be the regulatory body or the tenants themselves, then that is fine. Where tenants are not satisfied, they must be given a minimum of a year under the current circumstances to relocate.

Ms Poole: We have heard a number of stories before this committee about landlords who, certainly in my opinion and probably in many members' opinions, have abused the system. They have in effect gone for outrageous rent increases for major repairs which could have been dealt with as minor repairs; they have engaged in ongoing deliberate neglect, and they have jacked up the rents in that way.

To my way of thinking, Bill 4 does not remedy that situation. I would like to see and I will be proposing an amendment to provide that landlords who are not good landlords, who do not keep up with the day-to-day maintenance and provide services for their tenants, will in fact not even receive the statutory guideline and have a streamlined process in which to do this. Would you support this type of amendment?

Mr McGee: I have a bit of difficulty with that. It is our contention that the nature of business we are talking

about here is not something that is covered as an investment service. It is not a certificate of deposit; it is not a term deposit. It is a business—and this is a point that our group has been very adamant about—wherein the primary obligation is to provide a service to the people, a service that is necessary to the health, welfare and wellbeing of the community it serves. We feel very strongly that where that commitment to this community is not being made, there must be ways found to deal with that individual or group of individuals, to replace them ultimately or to redirect the focus of their activities to a point where it will serve the community.

Ms Poole: That is indeed what I am suggesting we do. Thank you.

Mr Tilson: Mr Walker, I must say I am interested in hearing from north Toronto. I was born there and grew up there. I was educated there and I still have a number of friends in the riding and it is a wonderful area.

Mr Walker: Give me a list.

Mr Tilson: Yes, I will give you a list.

I am interested in your comment, though, because I still know a number of people there and I know there are many, particularly seniors, who are on fixed incomes, single mothers and people like that who cannot afford any increase whatsoever. In other words, a long time ago they could not afford any increases and yet their increases keep coming up.

I am interested in your thought process, and I received your notice—I do not know how I got it, but someone sent it—maybe because I went to north Toronto, I do not know. In any event, I was interested in your comment that you do support a single increase matched to the rate of inflation. Obviously there are a great number of people in your riding who cannot even afford that. I would like to know what your comments are to deal with that problem, whether or not you would support the policy that our party is considering, that is, one of subsidies to certain individuals.

Mr Walker: Let me answer the first part first. Those people who are seniors on fixed incomes or single parents or single people of very modest means would get down on their knees and face east and thank God if there was only one increase a year based on the rate of inflation. Now they are victims.

Mr Tilson: Sir, they cannot even afford those increases.

Mr Walker: The second is, you are talking about the subsidy. In this last year we have acquired four buildings which are subsidized buildings, run under CityHome, and they are to address those people with needs. We have six seniors' buildings that are providing—

Mr Tilson: The question I am talking about is the overall policy throughout the entire riding. In other words, there are people throughout the entire riding who cannot afford increases and I am interested specifically in whether you support or do not support subsidies.

Mr Walker: No, I support rent control, I support the simple concept, keeping it simple, not complexitizing an

issue unnecessarily. One increase based upon the rate of inflation will maintain the housing stock in the affordable category and, as a follow-up, that is what a rent is for, to maintain a building. When somebody gives \$600 a month for a one-bedroom apartment, why should the landlord take the \$600 and put it in his pocket and say, "When I have to do some maintenance, I have to maybe paint the halls or something like that, then I have to get additional rent"? That is what the rent is for.

Mr Tilson: That is admirable, but there are people who cannot even afford what you are talking about. That is all I am saying.

Mr Walker: We are trying to address that, and I think the previous provincial government tried and certainly this provincial government will be trying to deal with that under the social housing and the non-profit housing sector.

Mr J. Wilson: Mr Walker, it is always a pleasure to have someone appear before your committee who also is elected and responsible to constituents, as we are. I will take the opportunity to tell you my personal view on where this government is heading. We have to assume that some of the landlords that appeared before this committee are legitimate, real landlords, as you say in your brief. Some of those people have told us they would just as soon get out of the business. They have had too many years of rent control, and there are three different parties that take responsibility for that over the years. So we are guilty in some degree, in their eyes, of this current mess we are in.

I think, though, one of the reasons we have such great difficulty with these hearings, for instance, is that we think that the true hidden agenda of the government is to bring in Ontario's or Canada's most expensive social policy, in the sense that we have talked about and there seems to be agreement among committee members that, yes, housing is a fundamental right and a responsibility, but as an elected official, it is going to be Canada's most expensive and certainly Ontario's most expensive social policy. God knows we have a lot of social programs out there now that we can scarcely afford. We have the federal government in tremendous debt.

My question to you is, what do you think about that? If landlords get out of the business and we have people being put out on the street, the government is going to have to fill the gap. It is either going to have to be subsidies on a massive scale or non-profit, which will work to a certain degree, but we also heard that it will not work across the board and that co-operatives will not work in every area.

Mr Walker: I certainly want to put the speculators out on the street, the people who got into the business using the Residential Rent Regulation Act as the vehicle to make fast, quick bucks on the backs and out of the pocketbooks of a lot of ordinary people, namely, tenants. I want to get them all out on the street, drive them out of town, to be perfectly honest, and I think this legislation is the beginning of that.

Mr J. Wilson: I am worried about their tenants, though.

Mr Walker: But the point is that some of those people will—the doom and gloom and the brinkmanship rela-

tive to stopping all the work, that is all this Wyatt Earp type of stuff, see who blinks first, see who draws first and all the rest of it.

Mr J. Wilson: But it is happening on both sides.

Mr Walker: You mean we are going to have some tenant strikes?

The Acting Chair: I have got about—

Mr Walker: There is a—I am sorry.

1510

Mr Turnbull: Mr McGee, you spoke about profit and the fact that you felt that one should allow a reasonable profit and that it is a business. You said it is not a term deposit. What sort of general area of return do you think a landlord should get on his investment? Just ballpark. I do not want exact numbers.

Mr McGee: We are involved in a situation here where it is obvious there are two different sides, and the tenant's view is the landlord should get the least amount a tenant can get away with paying, and vice versa.

Mr Turnbull: Would it be reasonable to say that they should get at least as much as a bond, that it should overall yield as much as a bond, if you are putting your money in?

Mr McGee: I have a major problem with putting in guarantees, period. I think today the landlord is virtually guaranteed at worst case a break-even and usually a profit.

Mr Turnbull: At the present moment under this legislation, it has been suggested that the property values have dropped as a result of Bill 4 by 25%, so it is not a question of guarantee. A lot of them are going to be wiped out. Trust companies are going to move against them because they cannot make their payments. But my question to you is, do you feel capital appreciation is the offsetting factor?

Mr McGee: I think in the past one of the major reasons why people have been speculating in the market is the capital appreciation.

Mr Turnbull: Okay, with—

Mr McGee: If I can go back to your first question, and I hate to interrupt, but to determine a profit, I think a number of responsible people are going to have to sit down and figure out what the criteria are before you can say a 10% return on investment, a 5% return on capital, a 15% return on assets. There are a number of different measures that would have to be considered and considered very seriously before a good formula could be established.

Mr Turnbull: But do you agree—

The Acting Chair: Mr Turnbull, I hate to interrupt too, but I am going to. We will go to Mr Duignan.

Mr Duignan: Thank you, Councillor Walker, and your panel for coming here today and presenting an excellent brief, making it very clear and simple. That is the whole purpose of Bill 4. It is a simple bill restoring a level playing field to the tenants of this province which has not existed in this province since the inception of rent controls.

I have a couple of questions, and I am glad to see that my Tory colleagues are now recognizing that housing is a right, not a speculative venture. I want to explore a little bit

more with you the whole notion of a reserve fund. What would be your idea of how this reserve fund would work?

Mr Walker: Well, I would like to keep it simple again, so the people who are paying for it understand it. Take a number. It may be 5% to 10%, I suspect, of every monthly rent put into a reserve account established for that building, and it stays with the building whoever the landlord is. It has to be invested in government securities, T-bills, or it has to have a return equal to the government of Canada savings bonds or T-bills. There is also an audit. I suggested it should be audited by the provincial government and there should be really punitive measures if there is any hanky-panky going on, pure and simply. You shake out all the guys who are trying to find the loopholes, all the shady ones, all the ones who are in it to try to speculate or find some way to cheat on the system. Get them out.

Mr Duignan: And that particular fund then would stay with that building?

Mr Walker: It stays with the building and it is invested back in the building.

Mr Duignan: So when you go to pay your monthly rent, say it is \$600, and this amount of money is—

Mr Walker: Take out \$30 or \$60.

Mr Duignan: And your rent would clearly state that \$550 is towards—

Mr Walker: No, the legislation will be, and there will be fines, and I have suggested, on repeat offenders, consideration, like you do with corporate executives who are polluters of industry, that there is a possibility of a jail sentence. They can go where Harold Ballard went.

The Acting Chair: May he rest in peace.

Interjection: Well, we all hope in peace.

Mr Drainville: I just want to speak in response to the comment that we have heard repeatedly over a number of these sessions about subsidies. Many landlords have come to the committee and they have indicated that the problem is not that there are high rents, but rather that there are low incomes. The focus, rather than being on rents, is on the incomes, and therefore the response that we need to have is the response of providing subsidies for people that have low incomes.

Now ultimately what that becomes is another scam for the landlords; that is, instead of talking about corporate welfare bums, we are talking about landlord welfare bums, giving them an opportunity to get money through the hands of the people who have low incomes and therefore getting them off the hook and giving them the opportunity of keeping the rental price high.

From our point of view, this is totally unacceptable for two reasons. One is that this should not be an issue of social legislation. It is an issue of course of morality, but it is not an issue of social legislation. What we need to ensure is that the legislation we pass here in the Legislature is legislation that will ensure that everyone is equitably cared for. That includes the landlords, that they have an opportunity to make reasonable profits, and that people have an opportunity to live in a home that they can afford

to live in. I just wonder what your view of subsidies is, any of the members of the panel.

Mr Walker: My view is that there is a role for subsidy. That is what social housing, non-profit, the co-op sector is. But there are a lot of people out there who have modest incomes, and an apartment unit should not be considered a commodity by a landlord any more, if that is what he or she considered it in the past. It is not a speculative commodity. It is a right to have a home and a reasonable home over your head.

There is also a very important need to have controls to prevent the free market running amok and driving a lot of moderate-income people out on the street as well as maybe poor people. I think that you have social programs to deal with the people who are of very low income, or poor people, to put it in simple terms, and you have other sorts of social programs relative to housing—co-op for poor and moderate-income people.

The Acting Chair: You still have about a minute and a half left in your time in the NDP caucus if you have another question. Otherwise, Mr Duignan.

Mr Duignan: In your role as councillor in your particular ward, do you see many people coming into your office who face economic eviction from their apartments?

Mr Walker: I have certainly gotten some phone calls and some letters back that this is exactly what they are feeling. And it is that uncertainty that took place at Balliol. It was 30% they got in one year and he is appealing it, and then going for the year before with 16% or 25% in the year after 16%. When is it going to end? If it happened only once, you could adjust to it but it is the uncertainty of never being able to.

The people at 365 Eglinton Avenue East, fourth round, are up to 85% compounded over four years. Those people—hey, just look at them—they are gone. One of the reasons why you cannot sustain these battles is that after three or four years your core of support has left on you. It has evaporated. People leave town. Not the landlord, not the speculator; it is the tenants who are forced out and they do not all send you a forwarding address. They are gone. The next time you call them up, they are gone.

They have gone through hardship and the deterioration of the housing stock. They have been paying through the nose and they watched their building, 221—I went up to see Sue there when we had to get those people to sign those forms to get this \$50,000 bond. They had to sign their lives away to the city to get it, and the building was all in process of being renovated around them. I went up in an elevator that was full of broken glass where the doors run. And it has gone on for years—well, months and years. This building is falling down around them and they are paying 39%. It was a nice building before this present landlord, Mr Pieckenhagen, got it.

The Acting Chair: Thank you very much, Councillor Walker, and your colleagues for your presentation today. We appreciate your taking the time to come before the committee.

Mr Walker: Thank you very much. I have about 1600 petitions that I received from tenants.

The Acting Chair: The clerk will take those from you.

Mr Walker: No, I am going to deliver them to the ministry. It is one rent increase a year based upon the rate of inflation. That is from 1600 people.

1520

SOUTH ETOBICOKE LEGAL SERVICES LAKE PROMENADE TENANTS' ASSOCIATION

The Acting Chair: Our next presenters are the South Etobicoke Community Legal Services and Lake Promenade Tenants' Association. If we could ask for the change-over, we would like to carry on with the hearings, ladies and gentlemen. We would ask you, please, just as quietly as possible, to go out into the hall for your meetings and your discussions. Thank you very much. We would like to welcome Kenneth Hale and Dee Ranger. We have set aside 40 minutes for your presentation, 20 minutes for the presentation and 20 minutes for questions, and we would like to stick to that schedule, so begin whenever you are ready.

Mr Hale: We will do our best. My name is Kenneth Hale. I am the lawyer-director of South Etobicoke Community Legal Services, which is a legal aid organization that provides legal services to low-income people in the south Etobicoke area. On behalf of our staff, our board and our client community, I would like to thank you for allowing us to come to this and speak. I understand it is a valuable privilege to be able to come here and it has not been extended to everyone.

I would also like to thank the Minister of Housing for introducing this bill and the government for supporting it. I feel that in introducing this legislation, somebody here has finally listened to the complaints of our organization and the members of our community who are sick of paying these double digit increases every year. I think that what is being proposed is going to stop what was supposed to be consumer protection legislation from being used as consumer exploitation legislation. Even if it is only a temporary bill, it is going to be a relief from the continuing onslaught of these large increases that are compounded year after year after year.

We hope that this consultation process that is coming up is going to be a meaningful process for tenants and is not just going to be a process whereby tenants are sort of cajoled into accepting the fact that they are going to have to get poorer to support their landlords getting richer, because the tenants in our community are being impoverished by the high cost of housing. They are looking for legislation that is going to make sure they have some money left so that they can have a decent standard of living after the rent has been paid.

The landlords and the moneyed people who have appeared before you have displayed what I think is total insensitivity to the welfare and dignity of Ontario's tenants, who are ultimately their customers, and they have shown a complete lack of social responsibility. They also seem to say, "Well, we care about tenants, but" and the "but" goes on for two hours.

I do not think you need to hear anything more. Just listening to these people talk about their buildings, the way they maintain them and the way they run their businesses, the tenant is the last factor in the equation. I think that the way they talk about rental housing should show you why tenants need protection and what kinds of desperate conditions tenants are living in, because these landlords and investors do not give any thought to what the effects of their actions are.

They want \$12 million to pay for capital renovation. They demand \$12 million. The \$12 million has to come out of the pockets of the tenants who live in that building, and I can tell you there is not a lot of buildings full of tenants that can afford to just fork over \$12 million because some landlord says he wants it.

I think that behind all the dubious economic theories and these stage displays of emotion what the landlords are saying is: "We own the property. We should have the right to exploit that property ownership for as much as we can get out of it and we do not care what the cost is to others." I do not think that there is any political party here who really agrees with that philosophy.

In the next part of my brief, I have made a number of suggestions about how the bill could be made clearer, and to tell you the truth, some of these are pretty tedious and boring so I am not going to go through them all with you. I hope that members of the committee will take a look at them, but I think it is important to make this legislation as clear as possible because all the high-priced help that came down here on behalf of the landlords is going to be in the courts and wherever else they think they can do it, pleading for landlords in other forums.

The wording of this legislation is going to have to be clear or the courts are going to take the presumption of property rights and use it against people's rights to shelter. So I am just asking you to make this bill as clear as you can to accomplish what you are trying to do, because I think we have seen a number of cases where landlords have been able to convince the courts to basically rewrite legislation that was supposed to protect tenants. I hope that is not going to happen with this temporary legislation.

Getting on to other parts of the law here, we are not proposing that there be any substantive changes made. We support the legislation and we know it is just temporary, but we think it should be pointed out that landlords still enjoy a lot of advantages, even under the temporary legislation. This legislation is not wildly biased in favour of tenants as the landlords and their supporters in the Legislature and in the media, particularly one large Toronto daily, seem to think.

First, the question of retroactivity: This bill is retroactive in a limited way, but if you look at subsection 100b(2) the implementation of the bill is delayed for thousands and thousands of tenants. Some of them are going to be getting the large increases provided for under the old system as late as August 1991.

What does this show? Any time you bring in legislation there is a certain amount of arbitrariness in choosing a date when it will be implemented and there are winners and losers on both sides. These claims of landlords of injustice

against them are basically just a self-serving effort to squeeze more money out of tenants. Let's call it what it really is. I do not know why everybody seems to have this collective amnesia about every rent review bill that has ever been passed, but the Tory bill, the Liberal bills, every bill that has ever gone through this Legislature on rent review had some retroactive provisions or some retroactive effect.

So I would just say to those members who are trying to make such a big deal about retroactivity, save your acting for the stage.

The Acting Chair: This is the stage.

Mr Hale: I thought this was the forum for serious deliberation of serious social issues and that the stage was where we entertained.

The legislation still provides virtually automatic guideline increases. It provides two different ways to get around the guideline. It is not a rent freeze. It is not a moratorium on rent increases. Tenants are going to pay these increases whether they can afford them or not and there is no way that a legal rent can be reduced, so again I do not see what the big deal is.

There are also some provisions that hurt both landlords and tenants. There is a provision called section 85, which allows tenants to apply to have the rent reduced if certain things have been already paid off. That is suspended, so tenants might be continuing to pay more rent than otherwise they would be paying if this so-called moratorium had not been brought in.

The point is that rent review is in a mess and landlords and tenants have to put aside the resolution of some of their disputes to allow a new beginning. I think you have seen the landlord lobby is unwilling to give up one nickel of rent they think they should be getting to allow this new beginning to take place. I hope that would make you realize what kind of difficulties tenants face in dealing with these people on a day-to-day basis and how unlikely it is that some kind of voluntary action on behalf of the landlords is going to resolve the rent problem.

In conclusion, the problems dealt with under Bill 4 are not the only problems that tenants suffered from under the Residential Rent Regulation Act. I think it is a complete scandal that the previous government was unable to implement the rent registry. It is like having an income tax system with no T4 slips and people just kind of voluntarily decide, "Well, I think I will be governed by the Income Tax Act," and other people decide, "Well, I don't think I will be." I hope the government is moving very quickly to correct that serious deficiency, because without rent registry you do not have rent regulation.

Second, the Residential Rental Standards Board: I think we can see how effective the rental standards board has been by the fact that the first thing landlords declared was they were going to stop doing maintenance because they did not like the government's policy. They must really be scared by the rental standards board to be able to stand up in public and say, "We're going to quit fulfilling our obligations." They know there is no penalty for them not

doing it, and so that is why they felt they could threaten it with impunity.

Then there are the problems of recovering illegal rent, which we will not get into in any detail here. These do not need new legislation. These do not need another five years of study. They need a reorientation of the rent review bureaucracy away from facilitating increases to using the laws to keep rents down. We believe this consultation process that is coming up is important and we look forward to participating in it, but there is lots that could be done within the present laws that would help tenants a lot and we hope that while the government on the one hand is out there consulting, it will implement the law that has been on the books for a number of years in a way that is going to help tenants.

1530

So these attitudes that I have towards rent review, and that our clinic has come from the experience of representing tenants. We represent them in whole building rent reviews, in trying to get overpayments back and in dealing with standards board orders.

One of the groups we have been working with since 1987 continuously is the Lake Promenade Tenants' Association. The way the rent review system has responded to their concerns and the way their landlord and the landlord consultants have abused the system has been very discouraging for our office and for the tenants affected. We hope that by listening to their story you will start to understand why it is essential that Bill 4 gets passed without any further delay. I would like to introduce Dee Ranger who is the vice-chairperson, I believe, of the Lake Promenade Tenants' Association for her comments on the history of their building and the legislation.

The Acting Chair: We have got about eight minutes left, Ms Ranger, if you would like to proceed.

Ms Ranger: I am on the executive committee of the Lake Promenade Tenants' Association, which encompasses the five buildings 21 and 31 Park Boulevard and 220, 230 and 240 Lake Promenade on the Lakeshore. We were able to obtain some information from long-time tenants in these buildings, that between 1976 and 1986 there were no irregular rent increases. All increases were in line with the regulations, except that in 1982 the landlords requested a 10% increase which the tenants complained to the review board about. The review board agreed with the tenants and so it was held in line.

However, in 1987 to 1988 the landlord asked for 14% but got nine. For 1988 until 1991 the landlords are requesting 14% for each year and the tenants are waiting to hear from the review board decisions on this.

It appears that during the period from 1976 to 1986, very few repairs were made and general upkeep of the building was kept to a minimum. In 1986 and 1987, therefore, the buildings were in very poor condition and we believe they were ordered to do major work on at least two of the buildings due to the long-time negligence.

Within the last two years, the carpeting was replaced in all the buildings. This was replacing the original carpet of 25 years' wear and some tenants have had new fridges

and/or stoves. However, other tenants are still using appliances which are 25 and some 30 years old, as we believe that second-hand ones were originally placed in there.

There was work done on the pipes in all the buildings, but the workmen left unsightly repairs to the walls in all apartments which have never been fixed. Also in some buildings' bathroom sinks are loose and in fact some are hanging right off the walls.

Over the last four years there were quite a lot of tenants who paid only the required 4.6% increase, hoping that the objection to the rental board would be upheld and that they would not have to pay the balance of the increases requested. However, if the rental board upholds the increases to their landlords, then these tenants will be required to pay anywhere from \$200 to \$2,000 in back rent, which they do not have. Many of the tenants in these buildings are elderly and are on fixed incomes. They have difficulty affording the cost of living increases in the rents, let alone the exceptionally high increases requested over the last four years.

Also some of our tenants are afraid to come with us here today, although some have, but in fact some of them refused to give their names because they are afraid they will be evicted from their homes if they object to the increases. We find that this is unacceptable here in Canada, a free country, that we have people fearing eviction if they speak out for their rights.

In the last few months several tenants have moved out as they know that they will not be able to pay the back payments if they are required to do so. The rents being paid in the buildings are not low. We have checked in the immediate area and rents for equivalent apartments that are equal to, and in some cases of higher quality than the others in the area, bearing in mind that presently there appears to be a glut of apartments available, whereas four years ago there were very few, this being due to the poor economic conditions generally in Toronto and in Canada.

The problems here seem to stem mainly from the change of ownership of the buildings approximately four years ago. We feel that the new owner purchased the apartments as a business investment and did not fully investigate enough to find out that it was not as profitable as he had thought prior to the sale. However, if this were the case, it surely is not ethical to increase the rents out of all proportion to cover their losses. No other business venture would allow this to happen.

In closing, I would like to say that the superintendents have over the last few years been appalling. However, two of the buildings are now exceptionally good and hopefully others will improve in time.

The Acting Chair (Mr Mahoney): Thank you. Does that complete your presentation?

Ms Ranger: Yes.

The Acting Chair: Mr Mammoliti.

Mr Mammoliti: It is our turn first, is it? I just want to relate and compare your particular problem with some problems I have in my riding as well. and that is that substantial increases are driving people out of their homes. In my particular riding, some people are hit with 55% or

60% increases in one shot, and they are being forced out, to shelters and food banks. I would like to know how that would relate to your particular situation and how drastic are these increases in your particular situations.

Ms Ranger: I think it definitely will have people out on the streets or into food banks or whatever because we have a large number of elderly on fixed income, and for various other reasons on unemployment, which is very high now, and there is nowhere else for them to go. They cannot afford the rent there and they will not be able to in many other places.

Mr Mammoliti: So Bill 4 will control it somewhat?

Ms Ranger: Somewhat, perhaps; yes.

Mr Hale: The only difference, I think, with the situation that you were talking about is that the tenants in Lake Promenade are getting it sort of drip by drip by drip every year. It is 8%, 10%, 12% or 15%, rather than getting the 60% all at once. In the end it is the same thing: People who cannot afford their housing. But the philosophy of the old legislation seems to be if you bring it in more slowly people are not going to notice how much they are paying, but at some point they notice that they cannot afford it any more.

Mr Mammoliti: Can you give us an idea, perhaps in a percentage, how many people are being economically evicted in your particular area?

Ms Ranger: I could not give you a number on that because these are all under review, so our tenants have mostly opted to pay the 4.6%, which they really cannot afford but they are struggling to do that, perhaps not eating as much or whatever. However, if these go through with the last four years, then we are talking 50% or so here and I have no idea how many really cannot afford it but I would guess that probably 50% definitely would not even be able to meet the payments.

Mr Hale: We do not even really know what the rents starting in 1987 are. That still has not been resolved. We have the 1989 application and 1990 application and the phase-in from 1988 and we are talking a large and complicated mess that not everybody is going to be able to keep up with.

Ms Harrington: Thank you very much, especially the tenants, for coming out this afternoon and it is a very sad statement to have to think that you people may be afraid to come out. I am very glad to see you here.

In your brief you said that there should be "a reorientation of the rent review bureaucracy away from facilitating the inflation of rents." Well, I certainly agree with you. There has to be a whole different attitude, a change, and that is why our government is here, to provide that different approach.

You make a very good point with regard to the problem of the standards board. I think that is something that I have heard in my riding of Niagara Falls and in nearby St Catharines, that people for years have been trying to get enforcement through their municipality and through Toronto, as well, and you cannot win with that one. You have to take people to court.

I have two questions. First of all, the level of maintenance: How has that been in the buildings that you have known about?

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Mr Hale: Our legal clinic opened at the beginning of 1986 and at that time apartment maintenance was one of the largest issues we had to deal with and it continues to be one of the largest issues we have to deal with, and one of the most difficult to deal with. At least with rent review there is sort of an end to it. At some point an order comes out and they say, "This is what the rent is and there are no more appeals and that's it."

Maintenance seems to be an ongoing, festering problem you never seem to be able to get on top of, because there just is not anybody telling landlords where the limits are. So the threat that they are going to stop doing maintenance—the joke around the tenants' movement was, "Who would notice if they stopped?" because they are doing so little now. Tenants believe they are paying rent every month and that is what they should be getting in return—maintenance.

I am not an economist. Whether or not there are further incentives that need to be given to landlords to make them live up to their legal obligations, I do not know. I do not believe it, but I do not know.

Ms Harrington: The other difficult situation we faced this morning is the question of major repairs and, in particular, the repairing of underground garages, concrete work. Who do you think should be paying for this?

Mr Hale: I did not hear their whole presentation, but I understood them to say that these things were defectively built in the first place. Why does not somebody go after the original owner or the original builder? If I buy a car and it is defectively designed, it gets recalled and the manufacturer—

Ms Harrington: Apparently the technology was not there to do it right 20 years ago. The new technology has only been around for about five years or so.

Mr Hale: People having paid their rent every month since the building was opened—somebody must have known that things were going to deteriorate. Whether they knew exactly what it was or the extent of the deterioration, I do not know. But when they set those original rents there was some plan that in the future, or, "Once our mortgage is paid off, we have the money to make major repairs"—but now the mortgage gets paid down, the building gets sold, the new owner has a huge mortgage and says, "I don't have the money." But the original guy who built it, if he had continued to own it, would have had the money, because he would not be paying his mortgage any more and he would have lots of money for renovations and repairs.

Whether it is the tax system or whatever, I do not know. I think we should not necessarily just load it on the tenants who happen to be living there at the time, because we have to look at the effect on the tenants as well as the effect on the owners. I think we have been hearing so much about the economics of this and the economics of that. The economics of it does not look at the human side

of the tenants who are suffering, and that is what we are asking you to look at.

Ms Poole: Thank you for your presentation this afternoon. I have three major concerns with Bill 4. The first is that it does nothing to penalize bad landlords. It treats landlords the same whether they are good or bad. It does not differentiate. There is nothing in it to discourage and prevent ongoing, deliberate neglect or to penalize it. There is nothing to prevent landlords ignoring work orders. There is nothing to encourage maintenance, or enforce maintenance, for that matter. These are things that could have very easily been put into Bill 4, and I think we as a committee have to ensure they are put in.

The second thing that I feel is deficient is that there is no provision for necessary major repairs and maintenance. You might be perfectly right when you say that if the original building owner were still there and he paid off his mortgage and now was making a substantial profit, he would have lots of money to put into these major items. But unfortunately in many cases over 25 years the original owner is no longer there, and many of them do have large mortgages now and it just is not feasible. And I do not think that even as temporary legislation, even if it is only two years, our buildings can go without these necessary repairs. Not the day-to-day repairs—that should be provided in the rent, no doubt about it—but the major repairs.

The third thing is the retroactivity, which I continue to feel is most unfair. Again, you have made the comment that retroactivity is a very common feature in legislation, but there is a very major difference, because either the retroactivity has been addressed through notice, so if the bill takes a year and a half to pass everybody knows it is going to pass and they do not make any future investments or they do not behave in a certain manner, or, second, it grandfathered.

This bill does not have either of those provisions, and I cannot see how you can say it is fair that a landlord who did renovations in the fall and winter of 1989 and the spring of 1990, then puts in his application for a rent increase applicable 1 October, and has put out \$400,000, whatever, then you say, after the fact, "No, you're not going to get the money even if you did it by the rules."

I do have a problem. I think it is a fairness issue. I have had problems with how tenants were addressed sometimes in Bill 51, in the Residential Rent Regulation Act, but I do not think that two wrongs make a right. So I would like your comment on those three aspects: the fact that there is no penalty in there for bad landlords, that necessary major repairs are not included, and, third, the retroactivity.

Mr Hale: First, I think it is unfortunate that someone who was elected as a tenant advocate would be here parroting the landlord line; I think this is contributing to people's cynicism about politicians. But on the points you have made—

Ms Poole: I object to that, Mr Chair, because I have not toed the landlords' line, and if you see that—

Mr Hale: Well, it certainly sounds like it to me.

Ms Poole: That is your prerogative.

Mr Hale: First, the penalties are already there. We have laws coming out our ears that provide for penalties for landlords who do not play by the rules. If somebody would enforce those, if money were available for tenants to pursue their legal rights so they would not have to go to Mr Walker and ask him to guarantee their legal bills, if people had that legal representation as a right then maybe some of these things could be dealt with. There are plenty of penalties there. We do not need more penalties; we need more enforcement. Second—

Ms Poole: I agree that enforcement is not there either.

Mr Hale: Second, what you are suggesting in your second and third points is that tenants should be paying more rent to cover landlords' expenditures. What we are saying is that tenants cannot afford to pay any more rent; there is a recession on, the food banks are filled to capacity. If these landlords made these major expenditures, they are the ones who decided to make them and they are the ones who should pay them. If they need more money to cover them, they should go to their banks. If the bank will not lend them the money, they should find the money out of their own resources to pay for it, just like anybody else who makes an investment.

There seems to be an assumption that if you buy into a building you have the right for evermore to make a profit. The reason landlords and investors are permitted in this society to walk away with bags full of money is that we reward their taking the risk, and that is what it is supposed to be all about—risk-taking. Now the downside of the risk is occurring and they are all here whining. We reward people because they took a chance. Now it has turned against them, they are going to lose, and they want guaranteed protection. They do not want the money from society at large, they want the money from the lower income portion of the population who are the tenants, and we are here on their behalf to say no, we are not going to give it to you.

Retroactivity—the Liberals' bill was retroactive, the Tories' bill was retroactive. That is the way rent review legislation works, because if you do not do it that way, while we are sitting here yakking about the bill the landlords are out putting their applications in for approval of rent increases. I cannot believe this committee is so naïve that it thinks landlords are just going to go to sleep while we debate this stuff and that there should not be a cutoff date. As I said, for some people it is not retroactive enough. Some people are going to be paying increases under the old legislation on 31 August of this year, and that is not retroactive.

Ms Poole: Just one last point of clarification, Mr Chair: The previous rent review legislation was retroactive to the date the bill was introduced, and this is not.

Mr Hale: Well this is a month and a half or something—

Ms Poole: It does not deal with applications, it deals with the rent increase. You know as a lawyer that that takes place far before the rent increase actually occurs.

Mr Hale: But all you are saying is that landlords should get more money out of tenants, and I say landlords should not get more money out of tenants. This retroactive

should not get more money out of tenants. This retroactive business is not going to benefit both tenants and landlords. What you are proposing is just going to put more money in landlords' pockets at the expense of tenants. That is why I believe you have stopped being a tenant advocate and have become a landlord advocate.

Ms Poole: You are free to believe that, but it is not true, and I think if you would take the time to look at what I have been saying and take the time to listen, you would understand that what I am trying to do is not only to protect tenants' rights, protect the rental housing stock, but also to bring some measure of fairness to the bill.

Mr Hale: Fairness by giving landlords more money. It has never worked before.

The Acting Chair: Thank you very much for appearing today. We appreciate it.

Mr Hale: Thank you for this chance to do it. I do appreciate it. I hope we can get on with it and get into phase 2 of whatever we are facing. Thanks very much.

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EAST YORK TENANTS ASSOCIATION

The Acting Chair: We may have just solved a minor dilemma. There was some confusion over time. Our next presenter, Mary Jo Donovan of the East York Tenants Association, was under the understanding that she had 40 minutes to present but is only down for 20, along with the other groups. The NDP had agreed to give up some of its time, but we are a few moments ahead, so perhaps we can allow Ms Donovan 15 minutes for her presentation, if that is a fair compromise, and that would still leave five or 10 minutes for questions.

Ms Donovan: If I read really fast, I can barely get it done in 15 minutes.

The Acting Chair: We will listen fast, too.

Ms Donovan: You might want to read along with me to get the gist.

Mr Abel: We are prepared to give up our five minutes, to allow her a full 20 minutes.

The Acting Chair: Okay, fine. Go ahead. You need not rush too much as the NDP is giving its time to you, generous bunch that they are.

Ms Donovan: My name is Mary Jo Donovan. I am the chair of East York Tenants Association. We greet the members of this committee and thank you for this opportunity to speak on behalf of the tenants of the borough of East York.

The EYTA and its members support Bill 4. Tenants have been at the mercy of landlords since the days of feudalism, and even in this enlightened and democratic society are still suffering intimidation and abuse because of the need for a place to live.

Shelter is a basic essential and its availability must be protected by enforceable laws. Affordable housing must be held as a right, and the desire for exorbitant profit must not be allowed to infringe on that right. Those landlords and speculators who have taken merciless advantage of the defenceless tenant population are directly responsible for

the need for Bill 4. If a moratorium were not in place pending new permanent legislation, those who have exploited the system in the past would increase their activities in the interim between the old and the new legislation if something were not in place to prevent it.

Therefore, our support for Bill 4 is understandable. It is a promising start to the process leading to new permanent legislation which will provide protection for tenants with justice and fairness and restore some sanity to the currently out-of-control rental housing market.

Those invited to the EYTA conference on 16 January were representatives of nearly 10,000 tenants. Their declaration of support for this temporary moratorium legislation is attached to this brief.

These hearings would have to go on indefinitely in order to hear all the horror stories which could be told regarding the outrageous conditions with which thousands of tenants must contend. Their complaints and contentions have been ignored by both the landlords and the rent review system. While their incomes and quality of life steadily declined, their rents increased by leaps and bounds. Commentaries from our members, some of which are attached, are here summarized as follows:

43 Thorncliffe Park Drive: We refer you to the letter from Carl Ladek wherein he describes manipulation of the system and the creative accounting practised by landlords when using capital expenditures to justify rent increases above the guideline.

47 Thorncliffe Park Drive: Janet McCleave and others have provided an insightful commentary on the need for rent control and a thorough overhaul of the entire system.

49 Thorncliffe Park Drive: Andy McEwan in his commentary once more draws attention to the fact of unnecessary and costly renovations imposed on tenants who could not afford them, at the same time these tenants lost amenities and services.

27 Thorncliffe Park Drive: Hugh Deane has provided a copy of a Goldlist notice to tenants along with other material. Margin notes indicate the caps which were listed but not done.

35 Thorncliffe Park Drive: Germaine Bourque and Nadine Dare want to know why tenants are forced to pay for parking space which they neither want nor need. Many tenants complain about this unfairness. Another complaint from this building which is repeated in other buildings is the refusal of landlords to permit tenants to move from apartments which are either too small or too large to other apartments in the same building which are now more suitable due to changes in family size.

Those who have commented on these five Goldlist buildings would have some interesting and enlightening things to say in an open debate with the Goldlist representative who appeared before this committee.

44 Thorncliffe Park Drive: This commentary from Omi Ramoutar and Anne Snell goes into considerable detail about the faults and failures of the present system with regard to capital expenditures. Despite the ongoing deplorable conditions described in this commentary, the landlord applied to rent review for a 14% increase.

6 Grandstand Place: The tenants in this building have provided comments regarding unaffordable rent increases and carelessness and incompetence on the job during major repairs, plus a number of other complaints re maintenance and infestations of cockroaches and mice.

4 Grandstand Place: Don Miller decries the 21% increase applied to cover the cost of capital expenditures and contends on behalf of the tenant association that these caps were necessitated by ongoing deliberate neglect. He also believes that a stricter inspection program would force landlords to maintain their buildings properly.

85-95 Thorncliffe Park Drive: Calvin Melrose comments regarding ongoing deliberate neglect, the importance of rent control, and the need for a complete overhaul of the present system.

892 Eglinton Avenue East: Mary Bowen goes into considerable detail about the inequities in the present rent review system, the unfair burden on tenants and the need for change. She also comments on the continuing problems of maintenance and repair. This landlord proceeded with major capital expenditures and unnecessary renovations and applied to rent review for a 92% increase. He was given 54.68% increase, which he has appealed. The decision is pending.

The conditions under which these tenants were obliged to live while this work was being carried out can only be described as horrendous. Their rights were totally ignored, their privacy was invaded, and they were treated with a complete lack of consideration, regardless of age, illness or infirmity. This landlord now has a new application in for a 27% increase. Is it any wonder we need a moratorium?

960 Eglinton Avenue East: Kate Brewitt draws our attention to the unfairness of the present system and its obvious bias in favour of the landlord, especially at the appeal level. She has included copies of letters, the tenant response to the landlord's application and a copy of the order. We urge all committee members to give a careful and thoughtful reading to this material.

165 Barrington Avenue: Sherri McDonald and the tenants association comment on the unfairness of a 29% rent increase for capital expenditures which were, for the most part, necessitated by ongoing deliberate neglect. These tenants lived in a state of physical and emotional upheaval, turmoil, uncertainty and anxiety for over a year, and when the work was finally finished they had been deprived of former amenities and services and homes that were affordable.

1501 Woodbine Avenue: The situation at this building is long-standing and outrageous. Lack of time does not allow for details here, but I refer you to letters and commentaries from Carroll Barber, Jane Charles, W.H. Giles, Mary Reilly, Stephen and Karen Danks, Mary Davidson, Ray Hoeche, Donna Spotten, Hilda Deakins, Nancy McLaren, Doreen MacKenzie, Thomas and Susan Cheel, George Zhang, L. Owens, M. Maher, J. McLean, and Zulie Sachadina. The stories of these tenants are ample proof of the need for speedy and decisive action on the part of the government in the area of rent control.

91 Cosburn Avenue: Elaine Swinamer details a horror story of neglect and substandard conditions. This landlord does not even deserve the guideline increase.

338, 340, 342 Donlands Avenue: Melcourt Tenants Association goes into detail about the unfairness of speculation in rental housing and the problems of ongoing neglect leading to the deterioration of affordable housing.

20 Gamble Avenue: Christine Abbott and Janice McPhail comment on the lack of communication between landlord and tenant, and selective attention to repair and maintenance with strong measures needed to get action. They also decry the cost of capital expenditures forced on tenants.

165 Cosburn Avenue: Letters and comments from Sandy Warren and Bev Cameron once again describe a deplorable situation of ongoing deliberate neglect and lack of maintenance; also, the total unfairness of financial loss pass-through.

72 Gamble Avenue: Jeffrey Astle, chair of the tenant association, supports Bill 4 and rent control and makes a number of suggestions. He also agrees with the comments of the other tenant spokespersons in this brief.

1001 O'Connor Drive: Dinah Nawbatt also comments on the inequities and unfairness and bias in favour of landlords in the whole rent review system. Tenants in this building are dealing with three applications and one appeal involving increases of 10%, 18% and 12%, some of them with phase-ins pending. Without the moratorium, this could have continued to infinity.

510 Dawes Road: Mrs Nelson and Mrs Brown have made some interesting suggestions regarding reform of both rent review and judicial systems. The tenants in this building must contend with a landlord who treats both tenant rights and court orders with equal disdain.

7, 9, 11 Crescent Place: Butch Windsor, president of the tenants association, comments on shoddy workmanship, deliberate neglect and lack of enforcement of standards by both levels of government. The 2,000 tenants in this building have had to deal for years with a faulty ventilation system, lack of hot water, a degraded electrical system, poor lighting, poor maintenance and a management which is indifferent to the needs of tenants and to their rights. The tenant association supports Bill 4 and rent control.

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The foregoing is a sampling of comments from building representatives who attended the EYTA conference. The conference was convened on short notice and these comments were of necessity hastily prepared and limited in scope. Those who have submitted them, along with others, are looking forward to presenting a fuller and more far-reaching commentary when the hearings on the permanent rent control legislation commence.

The RRRA was supposed to solve the problems of the previous legislation and include changes which would result in fairness to all, but instead it became an instrument of social injustice. One of the most glaring examples of that injustice is the financial loss provision. Here we see a building change hands three or four times in as many years. The rents double and become unaffordable, while

he neglected building continues to deteriorate. With each passing year of iniquitous phase-ins, the tenants pay more and receive less. This is downright wicked. This financial loss provision is tantamount to a licence to steal. This moratorium, in suspending this provision, has in effect revoked that licence to steal, and if there is any justice left in this world, it will remain revoked for all time.

One really despicable aspect of this provision is that landlords were permitted to create the illusion of financial loss, when in reality there was none. The truth is that the purchaser had not acquired sufficient equity to show a profit. This was a deliberate choice. The purchaser of any business anticipates a break-even position or less in the early years of ownership, but landlords seem to think they have a right to immediate profit without making the necessary investment. Landlords are crying foul because they can no longer rob tenants with impunity. Their advocates are suddenly talking about fairness. Those same people who demand so-called fairness for landlords had mighty little concern about fairness for tenants over the past years. This bleating from landlords about the inability to operate a business and maintain their buildings without gouging tenants is utter nonsense and deliberate disinformation.

I have this to say to all landlords, large or small: When you buy a building, you should expect to pay for that building. If your initial investment is too small, then you must accept the fact that you will operate without a profit until such time as you have increased your equity to a point where profit is possible. You have no right to ask tenants to provide the equity for your profit through an inflationary increase in rent. When you buy a new fridge or repair a window or replace a roof, you have enhanced the value of your building. You now own a building in good repair with a new roof. You now own a new fridge. Do not ask the tenants to pay for it with an exorbitant rent increase. You have been receiving a fair rent for many years. The rent includes a fridge and stove. The original rent was set to cover the cost of these. The original appliances have been paid for many times over. The guideline increase continues to cover the cost of fridge and stove, whether original or new. It is absurd to ask tenants to pay for something they will never own or to provide equity in a building for which they will receive no return. Tenants pay a fair rent and a mandatory guideline increase each year. This is the most that any fairminded and reasonable landlord should expect.

The retroactive element in Bill 4 is unavoidable and those who are complaining about it should bear in mind that tenants have been putting up with retroactivity ever since this wretched RRRRA became law. Since 1987, nearly 25,000 buildings, or 334,000 units, have gone through the system. That means that nearly a million tenants have had their lives and their pocketbooks trashed by this abomination known as rent review. So tell me if that is fair. Is it fair that children go hungry so the rent can be paid? Is it fair that the beleaguered taxpayers of this province are being asked to subsidize the greed of landlords through the rising shelter cost and the social assistance programs? I could talk for an hour about what is fair and what is not. Suffice it to say that the least unfair thing of all is the government

action that will bring a speedy and permanent end to this travesty with which tenants have been beset for so long.

Regarding the proposed moratorium legislation, there are two items which I believe require additional scrutiny and some change or additions.

Part VI-A, section 100e allows for extraordinary operating costs due to increase in municipal taxes. In the borough of East York, when there is non-compliance with a work order, the present bylaw permits the municipality to undertake the work and add the cost to the tax bill. If this type of action should result in an extraordinary operating cost on the grounds of increased taxes, the tenants would once again be forced to pay for the landlord's negligence. There should be an amendment or a regulation in place to prevent this, which would state unequivocally that extraordinary operating costs resulting from non-compliance with the municipal or other property standards orders will be excluded from consideration under subsection 100e(1) of part VI-A.

Clause 100e(2)(c) deals with extraordinary operating costs arising out of changes in interest rates. In the past few years, there have been many instances of vendor-purchaser deals which established an inflated top price and increased financing with multiple vendor take-back mortgages. Many of these mortgages will be coming up for renewal in the next two years. Something must be put in place to prevent those involved from making a new deal to take unfair advantage of the law once again.

Finally, I would like to encourage all tenants to stand up for their rights. At the same time, I would urge them to play fair, pay the rent on time and have reasonable care and regard for the landlord's property. I would like to encourage all landlords to respect the right of tenants and to desist from the questionable tactics they have employed in the present situation. Be satisfied with making a nice living and stop trying to get rich overnight at the expense of tenants.

We thank all members of this committee for your attention to this presentation and we look forward to appearing before you again when discussion gets under way on the green paper to be released on 18 February, at which time it will be possible to take a more positive approach and contribute what we hope will be some helpful and viable suggestions for the new permanent rent control legislation. Thank you.

The Acting Chair: Thank you. We will go to the Liberal Party first. Ms Poole.

Ms Poole: Thank you very much for your presentation today. It is obvious you went through a great deal of time and effort to co-ordinate all the various tenants associations to make their presentation and I think we are going to have lots of reading material as we travel on the plane tonight. I am particularly pleased that you have actually given us some specific amendments, or proposed amendments, one to deal with the municipal taxation, which is indeed a concern.

The second one, I just wanted to be very clear. When you talk about amending clause 100e(2)(c), which is on your page 9, you state, "Something must be put in place to

prevent those involved from making a new deal to take unfair advantage of the law once again." Could you elaborate? Do you have any ideas how this could be done?

Ms Donovan: I am not a tricky lawyer, so I do not know how to put it in place to prevent it, because no matter what I said, somebody would find a loophole in it. I am going to leave that up to the experts. However, I am sure that a number of people in this room are aware of the deals that were made to inflate the top price of apartment buildings and put through a tremendous amount of financing costs for the tenants to pay. And if you work it out right, you can make more. You could get richer faster paying too much for a building than paying a fair price for it.

Ms Poole: Well, I am not a tricky lawyer either, so I am afraid I cannot help.

Ms Donovan: It would take me at least a half an hour to try and explain it, so I—

The Acting Chair: Any tricky lawyers in the house?

Ms Poole: I am not a lawyer, tricky or otherwise. Maybe Mr Tilson—are you not a lawyer?

Mr Tilson: Yes, but I am not a tricky lawyer.

The Acting Chair: Actually, we noticed that.

Mr J. Wilson: He is a real lawyer.

Mr Tilson: That is right. I am a real lawyer.

Ms Poole: Maybe you could ask Mr Tilson afterwards if—

Ms Donovan: The vendor says to the purchaser: "Look, you want to give me \$3.2 million. Give me \$4 million. I'll take back the balance in some low-interest vendor take-back mortgages for a couple of years. You can pass all the cost on to the tenants and you'll actually be better off by giving me \$4 million than giving me \$3.2 million."

The Acting Chair: Sounds pretty tricky to me.

Mr Mammoliti: You should have been a lawyer.

Ms Donovan: It is very tricky and I am quite sure that a lot of people are familiar with the whole way it is done and I do not propose to try and explain it to you in detail here.

Ms Poole: No, I was not even aware of that happening.

Ms Donovan: I can refer you to some tricky lawyers who can explain it to you.

Ms Poole: That is right. I just hope you have not given any tricky landlords and other tricky lawyers some ideas about this.

Ms Donovan: No, they have known about it for a long time. Believe me, they all know about it.

Ms Poole: I guess they just have not told the rest of us.

Ms Donovan: The landlords have a little network that keeps them informed about how to get past the rules of the rent regulation act.

Ms Poole: Okay, if we think of any tricky way to deal with that, maybe we can get—

Ms Donovan: I will be back when you are doing the permanent legislation. I will write some very interesting regulations for you.

Ms Poole: I appreciate that.

The Acting Chair: Mr Tilson.

Mr Tilson: No, I would not dare ask any questions.

The Acting Chair: Look at that. You have tricked him.

Mr Tilson: I do thank you for your presentation and certainly its comments, which we in our caucus will look at. Thank you very much.

Ms Donovan: I certainly hope so.

Ms Harrington: Can I say a word? I just want to thank you very much for coming. Our colleague Gary Malkowski, I remember speaking to him last week and he told me to watch out for you, that you would really be helpful.

Ms Donovan: Yes.

The Acting Chair: Thank you for coming. We do appreciate your brief and thanks very much for your time and effort.

Ms Donovan: I think you have 10 minutes left on the clock.

The Acting Chair: Well, we are just going to move right along, because you never know with this group where we could stumble.

Ms Donovan: Thank you.

Interjection: You are doing a pretty good job.

The Acting Chair: No, I think we are complete with that one. We will move on to the—

Ms Poole: Mr Chair, just on a point of information, committee members might notice the appended petition from tenants and they might be very interested to know that Ms Ward and Mr Malkowski support their government's action, because their names are on the petition, so I am glad to see your vote of confidence.

Ms M. Ward: We were at the tenants' association.

Ms Donovan: They were guests at the conference, so they signed the petition along with the other people.

1610

The Acting Chair: Thank you very much. The next presenter—even though we are a few moments early, we will carry on, I think—is the Simcoe County Tenants' Association. Is there someone here from that organization? No? Do not go away, Mary Jo, we might need you.

Ms Donovan: I will come back and fill in some—

Mr Mammoliti: I can talk for 10 minutes.

The Acting Chair: Yes, we know, George. We do not want to hear it.

Ms Donovan: If you want to ask me some more questions, I am willing to sit down again.

The Acting Chair: Okay, well, is there anyone out there from Simcoe County Tenants' Association?

Mr Hale: We could not find anybody.

PROVINCIAL BUILDING AND CONSTRUCTION
TRADES COUNCIL OF ONTARIO

COUNCIL OF ONTARIO CONSTRUCTION
ASSOCIATIONS

The Acting Chair: Okay. Is the Council of Ontario Construction Associations here, represented? Are you ready to go?

Mr McFadden: Yes, we would be—

The Acting Chair: I would think, rather than break, committee members might like to proceed.

Mr Tilson: If they are ready to proceed, I am certainly prepared.

The Acting Chair: The presenters are—and we do appreciate your being prepared to go early—the Council of Ontario Construction Associations and Provincial Building and Construction Trades Council of Ontario. You were scheduled for 4:40, and there was a 40-minute time slot, with 20 minutes for your presentation and leaving 20 minutes for questions from members of the committee.

Once again, we appreciate your going early and would appreciate it if for purposes of Hansard you would introduce yourselves and proceed with your presentation.

Mr Koskie: Thank you very much. We are distributing to you copies of an appearance sheet. My name is Raymond Koskie and I appear as legal counsel on behalf of the Provincial Building and Construction Trades Council of Ontario and also the Council of Ontario Construction Associations.

With me is Jim Abraham, an officer of the Council of Ontario Construction Associations, and David Surplis, president of the Council of Ontario Construction Associations. There should be another person here shortly appearing with me on behalf of the Provincial Building and Construction Trades Council. Also with me is Michael McFadden of my law firm.

We welcome the opportunity of being able to make this submission before you this afternoon, and we know that you have many others before you and we will attempt to be as brief and succinct and to the point as possible.

In the brief which we have filed with you, dated 11 February 1991, if you will look at page 9 of the brief, you will see the conclusion first; it is perhaps an odd way of starting, but I think that the conclusion and in particular the quote very well and succinctly put our position before you today. We are of course referring to the policy release of the Honourable David Cooke, Minister of Housing, on 22 January 1991, and we quote with much enthusiasm his phrase: "This is necessary work. It will enhance our communities and improve the quality of many people's lives. The best news is that it will create jobs almost immediately." Of course, that was a reference to the release of \$35 million to be spent on improving Ontario's housing supply, more specifically with private rental units and older low-rise buildings. But I think that quote quite aptly puts our position before you and you will see that unravel very shortly.

If you will go to page 1 of the brief, I would now just like to tell you very briefly who we are. As I said, the participants in this brief are two organizations, the Provincial Building and Construction Trades Council of Ontario and the

Council of Ontario Construction Associations. The first one is a council of trade unions primarily involved in the construction industry and the second is a council of employers' organizations or associations representing employers in Ontario's vast construction industry.

As you can see, this is a joint brief and I think it is refreshing that we have labour and management working together on an issue that is very crucial to them. The provincial building trades council, the union side, represents over 100,000 construction workers in our province. COCA, the employers' association, represents 46 construction industry employer associations in this province and that would involve some 38,000 construction businesses in the province. So you can see, and I think it is safe to conclude, that jointly we represent the construction industry in this province today.

I think it is important that we have a look at the construction industry very briefly to appreciate the vastness of this industry. We maintain that the construction industry is one of the largest, if not the largest industry in this province, and as you can see, in 1990 alone the value of the construction activity in this province was worth \$40 billion.

Dealing more specifically with the residential sector, you can see that in the years 1988 and 1989, \$21 billion was the value of the building permits issued in those two years. So you can see that the residential sector, and that is of course what we are dealing with today, represents a very significant part of Ontario's construction industry.

More specifically, we now refer to residential repair work, and to quote the definition of that phrase used by Statistics Canada, that means maintaining the operating efficiency of existing structures. You can see the amounts that were spent in that area. For example, in 1987, \$420 million was spent and more recently, up to 1990, we have \$600 million being spent. So you can see that landlords in this province have increased their expenses in regard to residential repair work by some 45%, looking back at 1987. Now that \$600 million, as you will shortly see, equates to 15,000 jobs in the construction industry in Ontario, 7,000 of which would be direct construction jobs. The remaining 8,000 would be employment with respect to related industries in the construction industry.

We are here talking about the structural integrity of existing residential high-rise structures and the structural integrity we are talking about is the building envelope, not just the restoration of concrete garages. We are talking about the restoration of electrical, mechanical, work in windows and balconies and things of that nature which the professional engineers describe as the building envelope. We have an expert independent opinion attached, and tabbed too, from the consulting engineer firm of Morrison Hershfield Ltd, and I will be coming back to that shortly, but their opinion is that approximately \$2 billion has to be spent each year to maintain the structural integrity of the existing residential high-rise stock in this province. As you can appreciate, that is very substantial.

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In the next paragraph we deal with jobs and, of course, that is one of the main reasons we are here, to talk about

what Bill 4 means in the form of loss of jobs for the construction industry. Taking \$2 billion as the required expenditure, that translates into 50,000 full-time jobs in this province, a very significant number, and that involves both direct jobs in the construction industry and jobs in related industries.

Every \$100 million that is spent on repair creates 1148 direct construction jobs and 1387 jobs in related manufacturing and services. All of these data, I should tell you, are hard data and are supported in the main by Statistics Canada, as you will see in the footnotes. They are all independent government data which we are relying upon in our submissions.

The \$2 billion required in the restoration work means the creation of 22,960 construction jobs and 27,740 related jobs, which gives you the total of 50,000 full-time jobs that I alluded to earlier. So that is what we are talking about in terms of potential employment in this province.

In the next paragraph we deal with the unemployment situation, and I think, in a nutshell, it is staggering in this industry. As most of you know, the construction industry has been among the hardest hit in the unemployment area. Just to give you an example of the numbers we are talking about, in 1990 the construction industry employed an average monthly number of 324,000 workers in this province, but during that same period, 47,000 workers were unemployed.

If you turn over the page, you will see a chart we have prepared which shows the dramatic increase in unemployment in the construction industry in this province. In the bottom left, you will see that in 1989, we were riding a boom. The unemployment rate was 7.8%, and thereafter, when we pick it up in May 1990 and end up in December 1990, you can see the gradual increase in the unemployment rate ending up in December 1990 at 20%, a rather significant number.

In addition, you have in front of you a letter which we have filed with you, dated 11 February 1991. This is a letter from one of the larger construction unions in Ontario, the Labourers' Union International of North America, Local 183, signed by its business manager, John Stefanini. This will very succinctly tell you the bleak picture that exists in the unemployment rate in the construction industry. For example, during the boom period, 7000 members of just this one union were employed in residential construction; now there are fewer than 1000 persons.

Of course, not all of these persons are employed in concrete repair or restoration work in apartment buildings, but as Mr Stefanini concludes in his letter: "The wholesale collapse of residential construction employment is attributable in part to Bill 4. Local 183 members perform essential concrete restoration work on residential parking garages and building exteriors. This work has virtually disappeared since the government's announcement of its intention to proceed with Bill 4."

I think that is direct and hard evidence from one of the, if not the largest union involved in the construction industry in Metropolitan Toronto, that its members' unemployment has clearly been affected by Bill 4.

I would now like to talk about the structural integrity of the rental housing stock in Ontario. You can look at page 4, subparagraph (b), of our brief. I am not going to read it all to you, but I think it is safe to say that we have a lot of apartment buildings which were constructed in the early and mid-1950s, and because of their age, we find that they are in a state of advanced deterioration. That involves all aspects of the building envelope, not only the concrete part, but, as I said, the electrical, mechanical, windows balconies, etc.

As confirming evidence of that, you might be kind enough to look at tab 2 of our brief, which is an independently solicited report from the Morrison Hershfield Ltd consulting engineer firm. This company makes it quite clear—and I will leave that to you for your reading, but the thrust of the report is that all of these buildings in Ontario are in desperate need of repair, not minor repair but structural repair. If you look at paragraph 1.1, the second paragraph, about five lines down, the author of this report makes it clear that these repairs could not have been foreseen when these buildings were constructed.

I know there has been a lot of criticism that perhaps the builders of the buildings should have known when they put up these buildings in the 1950s that they would need this kind of major renovation around this time. That is not so, I think because the high-rise construction industry really had its beginnings in this province in the 1950s, and of course many of the materials were relatively new at that time. They were not constructing sealed buildings. They were basically concrete-formed buildings which had never been used on high-rise construction or had been used very little. So in a way there was a lot of innovation, a lot of experimentation.

These people did not know, nor did the engineers who designed the buildings know, that 20 or 30 years down the road these buildings would deteriorate to the extent to which they have. You can see over at page 2 of this report, in paragraph 2.1, the author concludes that part of the paragraph by saying that almost two thirds of Ontario's construction apartment units were constructed in Metro, and that those buildings now require considerable capital expenditures to maintain safe, habitable living conditions.

He goes on to talk about the various problems, the building characteristics, the problems. Again, he refers on the bottom of page 2 of this report that the problems dealing with the structural integrity of these buildings did not come to the forefront until the 1970s. In fact interestingly, the building code, which governs the construction of these buildings now in the province, was not amended until 1987, which of course would reflect more accurately the improved methods of construction which would be required to maintain the integrity of the buildings and requirement of new and different materials and procedures.

I think it is clear that, judging by the legislation itself and the evidence of the engineers, none of this really could have been foreseen. In fact the previous government had a report which I think was referred to you earlier. The Ministry of Housing issued a report in 1988, and we referred to that in our brief, talking about the deterioration of the garages and the urgency to have those garages repaired. That

is the Report of the Advisory Committee on the Deterioration, Repair and Maintenance of Parking Garages. So we have had a lot of action going on in the past year or so, when all these problems were brought to the forefront.

Getting back to page 5 of the brief, we talk about the building envelope as being part of the area which requires these repairs. Interestingly, we find that in Ontario, at least in the last census done in 1986, 62% of the tenants lived in buildings that were more than 20 years old. In 1991, of course, that percentage would obviously be increased quite substantially. We then referred to the Ministry of Housing report talking about the structural deficiencies of the garages, which would cost \$1 million to repair.

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I think also that the problem of deterioration is one which should be of concern to the tenants. After all, the buildings are there for the comfort and enjoyment of the tenants. When we talk about the building envelope, the walls, the windows, the balconies, the electrical and mechanical systems, becoming seriously deteriorated, these are things which have a direct benefit not only to the landlord but clearly to the tenant and the comfort of their occupancy of the suites in those buildings. Unless there is something done immediately to improve that situation, I think that future generations who come to occupy those buildings will be faced with buildings of even poorer quality, something which I do not think any of us want.

Having given you some of the background, we have some recommendations to make and we like to think that they are somewhat innovative. We like to think that they are a responsible response to some of the problems. I think that one of the objectives we view in rent control is the preservation of the province's housing stock. One thing is to provide accommodation for tenants; on the other hand, one has to always be cognizant of preserving that housing stock for future generations. We respectfully suggest to you that rent regulation must therefore guarantee not only control of rent but the structural integrity of the rental accommodation.

We also point out that the regulation of rental accommodation not only affects tenants and landlords, but also affects those who are involved in the repair, the restoration and the upgrading of the current stock. This whole area is a vital economic activity in this province and is particularly vital to the livelihood of the many construction workers we have in this province and their families.

We are here, ladies and gentlemen, because Ontario's rental housing stock needs work on it. I do not think there is any doubt that it needs work. We have thousands and thousands of construction workers who are sitting home idle today doing nothing, people who have been specifically trained to perform the skills in this particular industry. On the other hand, we have the companies, represented by the Council of Ontario Construction Associations and other associations, which have the wherewithal to carry out this work in today's environment but simply cannot do so because of the fact that Bill 4 seems to have put a damper on their efforts.

The Acting Chair: If you would not mind wrapping up, because we do have questions and I think we are over the 20 minutes.

Mr Koskie: Yes. Our first recommendation is—and we refer to page 7—that the Bill 4 should be amended to permit a pass-through cost for necessary repair and restoration of these exteriors, mechanical and electrical systems, and also that this should not be in the discretion of the landlord.

In our second recommendation, we say that these repairs should be as certified by an independent professional engineer and should be as approved by an impartial expert tribunal. We do not suggest setting up a new bureaucracy. We suggest plugging into a tribunal that is already in existence, for example, the Building Code Commission, a full-time commission, a tripartite, impartial commission which conducts hearings already, and the glove would fit our situation. Tenants should have and would have an opportunity to appear in front of that commission in response to a request by landlords for approval of these necessary repairs.

Our third recommendation is that the capital cost for this rehabilitation should be amortized over a specifically defined period, at the end of which the increase the landlord obtained would be removed. That is unlike the current system, as you know. In other words, they could not use that as a base upon which they could add future increases. Once it is properly amortized, then the particular increase that they would be allowed would disappear.

The other alternative on page 9, paragraph 4, is that the government could consider as a stimulus to getting this work going some sort of tax credit to landlords for expenses incurred in this area.

I want to leave you with this one thought, that this industry needs relief but it needs it immediately. If we are to have relief in 1991, we must get on with these projects, because there is a lead-in time required. These things cannot be started with a snap of the fingers. Much work has to be done, lead-in times are necessary, and if it cannot be implemented within the next month or so, then I think this industry will again have lost its momentum for 1991 and the unemployment situation will have deteriorated even further.

Those are my submissions. We would be prepared to respond to any questions you may have.

Mr Tilson: I congratulate you on your report. It is filled with little philosophy and mainly facts, which I think we appreciate.

The most startling suggestion you are making, and I would like you to clarify it, is with reference to the unemployment. We have all seen the statistics that have come out recently showing the tremendous rates of increase in unemployment, particularly in Ontario. When I read your report, you are suggesting that a large percentage of this is attributable to the landlord-tenant problem that is in existence and perhaps even indeed what Bill 4 has done. Is that a fair summation?

Mr Koskie: There have been a lot of allegations to that effect, and I think it is safe to say that a substantial part of the unemployment is related to Bill 4.

You have this letter from Mr Stefanini, for example. His union is a key union involved in residential construction in this province. More specifically, they have a very large component of the membership involved in building restoration. He is giving you direct evidence, saying that Bill 4 to a very large extent is responsible for a large part of their unemployment.

We cannot at the moment put any harder figures on that, but I do not know how much of a red herring that is as to what percentage of Bill 4—

Mr Tilson: I listened to Mr Cooke who, when quizzed on this sort of area, said: "Oh, it's the recession causing this. It's not Bill 4 at all."

Mr Koskie: I prefer not to get into the issue of whether it is Bill 4, how much is Bill 4, or how much is the recession. The fact of the matter is that we have thousands and thousands of unemployed construction workers who are ready, willing and able to perform this much needed restoration work, we have the companies which are simply sitting on the sidelines now waiting for some stimulus to get going and doing this work, but what is holding it up is Bill 4. That is the evidence we have. The fact of the matter is that there is very little of this work going on. What is going on is basically patchwork, just the minimum amount of work required by the landlord; it is logical to expect they would do that.

Mr Tilson: Another area was an area that was raised this morning and you raised it a few moments ago: the issue of safety. How dangerous is the situation with respect to these buildings which—your figure is 60%. I had thought it was 75%. I have been throwing a figure of 75%—

Mr Koskie: Rather than have it come from me directly, we have solicited an independent report from the consulting engineer Morrison Hershfield Ltd, which talks about the fact that the deterioration of the building envelope clearly does affect the safety of the tenants' enjoyment of the building. Here he is stating that. I cannot imagine a better source than this particular report.

Mr Tilson: One final question: It is a question I have asked a number of people today and has to do with the Toronto Star articles over the weekend that referred to the slums in New York, and whether we need to be alarmed that that could possibly occur in Ontario. Continuing with the area you have been speaking about, if buildings are not properly maintained—can we wait two years, in other words?

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Mr Koskie: We are not here to support the landlords. We prefer not to get into a discussion of whether we are going to end up like New York. We do not have the ability to properly respond, except to say that I think the evidence is firm of the need of this type of repair. Whether Toronto or any other area in Ontario is going to end up like New York slum areas, I do not know. In all fairness, we cannot tell you that. I think what is important is that there is a

need to improve these buildings, to repair them. I think that is the issue.

Obviously, if buildings are left in a state of disrepair and if landlords walk away from them, the answer is obvious as to what will happen. Whether the landlords will walk away from them is a question which, quite frankly, we do not have the expertise to properly respond to. It is not part of our mandate of either association. Mr Abraham might be able to—

The Acting Chair: I do not know that we need to beat that answer to death. I think you gave a good answer. We will move on to Mr Abel. We have time constraints, and we have a plane to catch tonight as well.

Mr Abel: I have a couple of quick questions and then I will pass the rest of our time on to my colleagues. I make reference to the letter sent to you from the Labourers International Union of North America, the last paragraph. It says: "The wholesale collapse of residential construction employment is attributable in part to Bill 4." Mr Tilson had asked how much Bill 4 is attributable. You did not have an answer. Perhaps you could answer this: How much is due to the economic climate?

Mr Koskie: I cannot at the moment break that down percentage-wise.

Mr Abel: A rough figure?

Mr Koskie: I do not know. We do not have any hard figures on it. Mr Surplis does point out that the restoration industry is a recession-proof industry. It is recession-proof because of the need of this work on an all-year-round basis. Regardless of the recession, this work is vital, necessary. We have how many people in this industry?

Interjection: Around 15,000.

Mr Koskie: Around 15,000 people employed in this province in the restoration industry itself. I think it is safe to assume that most of those people are unemployed now, and clearly it would be as a result of Bill 4, because the work is there; it is not as if the work is lacking.

Mr Abel: Not to get into an argument, but that is not what it says. It says, "the wholesale collapse of residential construction employment." We are not talking about restoration here. They claim that residential construction employment is attributable in part to Bill 4. You could not answer Mr Tilson's question as to how much is attributable to Bill 4. You could not answer my question as to how much is attributable to the current economic climate. Excuse me, but in my mind that makes the credibility of this evidence somewhat questionable.

Mr Koskie: In order to explain to you, this particular union is involved in new housing as well as restoration of existing stock.

Mr Abel: But their claim was not pertaining to restoration. I want to make that clear.

Ms Harrington: I would certainly like to congratulate both organizations, management and labour, for working together in this instance. I hope you will continue in that vein. That is great.

We certainly agree that rental stock needs work, and this is a good time to build, while the labour force is available. In

my own riding, I am part of a co-op housing project, and this is the time where we can get our lowest quotes, right now, so we should be trying to get people to work in building. Everyone knows the building industry is cyclical, that it is going to pick up again, and much of the downturn—the question is: How much of it is due to Bill 4?

I would like to let you know of a little incident that happened today. In the hallway at lunch I happened to be talking to one of the presenters from the Concrete Restoration Association of Ontario, which was here this morning. He explained to me that his business, a large portion of it, is in repairing concrete garages, and a substantial portion of that business is in commercial buildings. He volunteered the information—I did not even ask—that this repair work was down very substantially in the last few months. These buildings, of course, are not affected by Bill 4. He said—these are his own words—they were affected by the recession, and they are not doing this work in the commercial sector.

I would submit that it is very easy for building owners now to say, "We'll delay repairs due to Bill 4." It is an easy way to say it.

Mr Koskie: The evidence we have found with another union, not the one that wrote this letter but one of the other unions involved in restoration, is that 70% of its members was laid off subsequent to the introduction of Bill 4. One has to assume that the layoff was not because of the recession but because of Bill 4. Again, I do not know how much it really makes a difference. The fact of the matter is that the companies are willing to do the work, they want to do the work—

Ms Harrington: We have to get them working. I agree with you.

Mr Koskie: Yes. Is that not the name of the game? I do not know how much we can advance the whole issue by debating what percentage was caused by Bill 4 and what percentage was caused by the recession.

Ms Harrington: I thought I would put that out to you. We agree that the work should be done and has to be done.

The Acting Chair: I would like to point out that we have transportation at 5:30 and it is quarter to. The Simcoe County Tenants' Association has shown up, so we have another presentation. I will allow you 30 seconds.

Mr Mammoliti: I am curious about what "residential" means. You mentioned residential construction, residential work. Does that mean homes, rental buildings? Does that mean condominiums? What does that mean?

Mr Koskie: The generic term "residential construction" means high-rise buildings, low-rise buildings, and also the repair of those buildings.

Mr Mammoliti: Condominiums or—

Mr Koskie: Condominiums and rentals.

Mr Mammoliti: Okay. It is just that it does not coincide with all these figures you left us, page 2. I think you should be more specific and actually get right to rental buildings. It is kind of misleading. Bill 4 deals with—

Mr Koskie: On page 2, the figure, for example, of \$420 million in 1987 is repair of residential tenancy buildings,

high-rise buildings occupied by tenants. That is what we are talking about.

Ms Poole: I do not want to belabour the points raised by Mr Tilson and Mr Abel. I just have a statement which you can perhaps disagree with or agree with. Aside from the effect of the economic downturn and aside from the fact that construction is a cyclical business, would you still say that Bill 4 has had a significant impact on employment in your industry?

Mr Koskie: It has.

Ms Poole: Thank you. I just did not want Mr Abel's comments to seem to imply that there is a lack of credibility in this document. I think we have already had evidence to the contrary, and I think your evidence today has been extremely helpful to our committee. I want to thank you.

The Acting Chair: On that note, I would like to thank you for appearing and taking the time, particularly for going out of order. We appreciate your co-operation.

Mr Koskie: Thank you for the opportunity.

SIMCOE COUNTY TENANTS' ASSOCIATION

The Acting Chair: The folks from Simcoe County Tenants' Association have arrived. We should take no more than 20 minutes in total, 10 minutes for presentation and 10 minutes for questions, as we do have transportation at 5:30 to catch an airplane to Sudbury, so we will have to move.

Mr Bailey: We apologize for being a little late today. We come from up north and I am afraid your traffic problems are a little foreign to us.

My name is Dennis Bailey. I am a lawyer from Orillia and I am a past president of the Simcoe County Tenants' Association. I have, for the last 10 years or so, represented various of our member tenants' associations in various buildings throughout Simcoe county before rent review hearings, appeals tribunals, etc. To geographically orient you, our area includes the major cities of Barrie, Orillia, Midland and Collingwood.

I have asked Janet Buck to come along with me. Janet is the past president of the tenants' association of one of the larger buildings in the city of Barrie. She is an experienced person in appearing before rent review tribunals, and she represents the tenants' perspective from our area. I can tell you that her comments with respect to the need, and I would say the immediate need, for the passage of Bill 4 have been echoed to me numerous times by various tenants' associations in our region.

Without further ado, I would like Ms Buck to indicate to you why her association supports Bill 4.

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Ms Buck: Mr Chairman, committee members, the current system has failed the tenants in many ways. We need immediate protection and it has to start somewhere. This two-year moratorium would give us the protection and give us all time to work on a fair rent control system.

I agree with the statement made by the Honourable Dave Cooke: "The current Residential Rent Regulation Act is too complex and too costly. The act should be simplified." Tenants have not been properly educated in this

field. We are not big-time developers or fancy lawyers. We are just average people who prefer to be left alone, but when a bomb gets dropped in our laps, we are forced to learn really quick.

And costly: Our building alone has cost the government a lot of money in the past four years. Our building is well known at the local rent review office. We have had three above-the-guideline increases and we are in the midst of our largest, the fourth. You name it, we have been involved in it. Appeals, hearings, phase-ins, whole building reviews, capital expenditures, financial losses—we have waited up to a year and a half for a final decision on our landlord's application. The Barrie rent review office is really backlogged.

The owners of the 57-unit apartment building that I reside in just completed several thousand dollars worth of capital expenditures. At the same time, they put up a new 22-unit apartment building in our backyard. I mention this because a lot of the outside work done to our building makes the new building look good, and undoubtedly helps in justifying their asking rents. In turn, they have applied for a substantial rent increase from us of approximately \$150 per month per apartment. This may not seem substantial to some people sitting in this room, but to people on fixed incomes or somebody only takes home \$15,000 a year, it is substantial.

Well over half the work that was done would go under the heading "Luxury renovation": tearing up our concrete sidewalks and replacing them with Unilock—\$10,000; marble tiling on the lobby floor and around the elevator doors—\$11,000; landscaping like you would not believe—\$13,000; scroll painting—not just plain painting in the halls, scroll painting—\$17,000. We used to have one lobby with two chairs and a table, and that was fine. Now we have two lobbies full of loveseats, chairs, mirrors, six-foot artificial trees, tables, you name it, we got it. We have all new light fixtures. Nothing wrong with the old ones, but the new ones are energy-efficient. That was over \$13,000. There are other things we have never had or needed before like end panels on all the balconies, curbs around the parking lot, a fence, a lighted canopy out front. A large percentage of the balance of the work done would go under the heading, "Needed due to neglect of maintenance."

We paid guidelines increases every year, but where did this money go? It is extremely difficult, almost impossible for a tenant to prove neglect of maintenance. All of the figures are in the landlord's hands. Even if we could prove it, there would be no reduction in rent, maybe a minor offset in the next rent increase.

Our building has been poorly maintained and badly neglected since it was built 22 years ago. I am not joking when I say that a typical repair would be to run out and buy a roll of duct tape to tape up the frayed and ripped carpeting. Landlords are not stupid, nor are they in the business to be good Samaritans. If I was in the business, I would probably see and take advantage of the loopholes too. After all, why should landlords use their revenue from annual guideline increases to repair things when they can wait a few years, neglect them and then replace them

under capital expenditures at the tenants' expense? This is one reason why we need to work on a new system and this two-year moratorium is a good start.

Prior to any renovations or repairs done to my building, the majority of the tenants advised the owners by way of surveys that over 80% of the work they had planned was not needed or wanted. They did not even consider our views. That is not to fault anyone. Why should they? They knew under the present act they could do anything they want with the building and benefit in two ways. One, the value of the property is now substantially higher and two, they can collect, although it has not been approved yet, \$85,000 more a year in increased rents.

What we needed was for someone to step in prior to the start of a new renovation, possibly a government-appointed mediator, and say, "Look, Mr Landlord, if you want to do this, that and the other you're going to have to do it at your own expense. There's no need for these things, therefore we're not going to expect the tenants to help you pay for them." A mediator is just one suggestion. We need communication between the landlords and the tenants. Have us working together. Our landlord would not even talk to us.

Why can landlords not set aside part of annual increases for major repairs down the road? I do that for car repairs. Why can they not take surveys like we did? That does not take much time or effort. Get the tenants' consent prior to any renovations or repairs and advise them of the extent of the rent increase. If we say no, get the mediator.

Something else to look at would be licensing landlords. If landlords knew they could have their licence revoked for collecting illegal moneys or sending out fraudulent letters like ours has done to us, I am sure they would reconsider. I am one person out of many that would be directly affected by the implementation of this two-year moratorium. If it is not implemented, my landlord can pass on to me all his renovation and repair expenses that I mentioned before.

I cannot stress enough the impact this would have on my life. It is one thing to have to pay for needed and necessary repairs. But to pay for extravagant luxuries or unneeded renovations and possibly be forced from my home is another. I have been a tenant for 16 years, 8 in a mobile home and 8 in an apartment. The mobile home story would take another 10 minutes, so I will not get into that. I would like to say that amending the definition of "rental unit" to include rental sites is long overdue. I have many friends who are still in the four different mobile homes parks that I lived in.

All I can say is that when I first became a tenant in an apartment building, I thought I had jumped from the fry pan to the fire, but that is not the case. They have had their share of major problems too. I hope there is no one in this room with the same opinion as our landlord has, "If you don't like it, move." I like the building I live in. I liked it before the renovations started. We have built up an organized tenants' association. It is close to shopping and my work.

I do not want to move, nor can I afford to move, and I am afraid to move. In the building I move to it could start all over again. It could be one without an organized

tenants' association. With proper protection we might not even need a tenants' association. Hopefully this moratorium will be implemented and implemented soon. The longer the delay, the more confusing it gets for everyone.

We do not want to do battle with anyone any more. We just want to be left alone but treated fairly. As I said before, it is the unneeded, unwanted, unauthorized repairs and renovations we object to. If major repairs are necessary, that is a different story and one that could be worked on once the two-year moratorium is up. You must see the need for a new permanent rent control system. This two-year moratorium is exactly what is needed. We need your help and we need it now. We are the closest we have been to a fair rent control system. We are just your decision away. Thank you.

Ms Poole: I just want to thank you very much for your presentation today. A number of points that you have brought out, for instance, about luxury renovations and about ongoing deliberate neglect, are extremely valid and extremely, I think, apropos as to why something does need to be done to the system.

I do have a personal problem with the fact that there is no provision in Bill 4 whatsoever for necessary major repairs during this two-year period or however long the moratorium lasts. Also there is nothing to deal with a penalty for landlords who have engaged in ongoing deliberate neglect and in fact ignore work orders. Those are just things that I feel might make Bill 4 better for tenants, and I would like your comment on that.

Ms Buck: Tenants have been victims for four years. There are a lot more tenants than there are landlords. We have been paying increases for the last four years—well, since 1986—that sometimes were unjustified. We were not organized enough to go to rent review and fight these things. There has got to be a victim somewhere and we have been victims for four years. Yes, there probably will be victims with this, but it is only for two years.

After the two years, maybe in the next one—not this one, we need this passed—but when the new legislation comes out, there should be something to say, "Any of the landlords that got stuck in the middle and have receipts and can prove that they put necessary repairs into the building can apply for a moderate increase" when that time comes. But we do not want to hold this moratorium up. In the new legislation, yes, maybe have something like that.

Ms Poole: The things I am suggesting would not hold up this legislation by one day. It could be incorporated by this committee when we do our clause-by-clause next week.

Ms Buck: It may seem simple, but it would really take time to consider. How would a tenant prove that these repairs were necessary? That is going to take some doing. I think if you put it in there now, they can get a moderate increase. First we have got to figure out what "moderate" is, and then what are "necessary repairs." The landlord told us all this stuff was necessary, but it is not.

The light fixtures were for their benefit: \$17,000 worth of light fixtures that are energy-efficient. We did not need them. They are going to save on hydro and bulbs. They are

going to say, "Yes, we needed them." So it is really going to be hard to prove and it is something that would take maybe two years, during this moratorium, to work on. I cannot see it being in, but maybe you can. I do not know.

Mr J. Wilson: As a tenant in Collingwood, I guess I fall into your association. Our party has been throwing around the idea of a democracy clause, which is following along the line you were just speaking about. I am just wondering whether you think it will work. Our idea is to somehow get tenants and landlords together. We could legislate that they would have to get together, and only the necessary repairs that the tenants would agree to—and it may take third-party mediation too—would be allowed to occur.

I do not think we can assume that all landlords that appeared before us were bad landlords. We had, I think, quite a few legitimate landlords appear before us, and they are real concerned that there are large capital costs now being incurred in old buildings that they will not undertake because they feel they cannot afford them or they cannot pay for them. The committee itself is caught in a bind in the sense of trying to come up with a solution. Do you think that would work? For instance, you mentioned your landlord has never met with you. If there was provision that he could not possibly even ask for an increase unless he got your agreement on necessary capital costs, structural improvements, that is worth pursuing, we think.

Ms Buck: If they were told they had to discuss things with us, they would have to. They would talk to us. But that was never written before and if we called them, they just never returned our phone calls or never acknowledged our surveys that they got or anything. I think that would work.

Mr J. Wilson: Second, in dealing with a lot of people, particularly in Collingwood, where the recession has been extremely hard on us up there, there are a lot of people who cannot even afford their current rents. In my building tenants are clearly frustrated by a proposed rent increase. For instance, in my building there are probably two tenants in there who would qualify for some sort of subsidy that currently, under all the existing welfare and social services, they are not able to do. What do you think of subsidies to the people who need it, people who are paying over, say, 25% or 30% of their gross income on rental accommodation?

Also, the government is going to say, "Well, that's nuts," because then it is a licence for the landlords to print money. Obviously, as part of that package, we would have to consider some reasonable caps on landlords, so that they are not just given a licence to print money, which I thought would have been implied.

Mr Bailey: Are you talking about that kind of a system to augment rent controls or replace them?

Mr J. Wilson: Well, you know, rent controls do not seem to be working. The old system does not work. I will be interested to see what the government comes forward with on new ones. We are willing to participate on the committees and see if we cannot hammer out a better system, but it is not clear at this point whether you would do

away with rent controls or phase them out in favour of subsidies. It is something that I think should be looked at seriously.

Mr Bailey: I can tell you that our association is definitely not in favour of the elimination of rent controls. If what you were talking about was something to augment the more pressing cases of people who, notwithstanding rent controls, are still paying an exorbitantly high percentage of their income, then the answer is yes, in principle that is a good thing.

Mr J. Wilson: But keep it regulated.

Mr Bailey: One would have to do a cost analysis, I would think, of that kind of thing. But there already are similar programs to that. I mean, non-profit housing in essence is an answer to that, although it does not offer people the luxury of

staying in the same premises. They would have to live in non-profit housing.

Mr J. Wilson: Yes, they would have to move.

Mr Bailey: That is right.

The Acting Chair: Thank you very much. I have other questions, but thank you for coming. We appreciate your taking the time to fight the traffic and get here.

Mr Bailey: Thanks very much.

The Acting Chair: To members of the committee, the transportation will be outside the main door at 5:30. This committee stands adjourned until tomorrow morning at 9 o'clock in Sudbury.

The committee adjourned at 1705.

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Wednesday 13 February 1991

Journal des débats (Hansard)

Le mercredi 13 février 1991

Standing committee on general government

Residential Rent Regulation
Amendment Act, 1990

Comité permanent des affaires gouvernementales

Loi de 1990 modifiant
la réglementation des loyers
d'habitation

Chair: Remo Mancini
Clerk: Deborah Deller

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Wednesday 13 February 1991

The committee met at 902 in the Peter Piper Inn, Sudbury.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Chair: The standing committee on general government is called to order. The standing committee is visiting communities across the province during deliberations, and we are happy to be in Sudbury today. We have a full slate of presenters today.

NORM CAMPEAU

The Chair: Norm Campeau is slated to present at 9 am. You have been allocated 20 minutes by the committee, 10 minutes of which can be an oral presentation, and we will reserve 10 minutes for questions by the committee members. Mr Campeau, the floor is yours.

Mr Campeau: First of all, I would like to say that I have a prime building in a prime location. It is a tenplex, all one-bedroom apartments of different sizes. Three years ago, I fully renovated the entire building. I spent \$100,000. I rented eight units at \$350 and two larger units at \$450. After a year, rent review reduced the rents, and today the lowest is at \$211.62 and the highest is at \$364.67. My total revenue is \$2,798 per month. My payments total \$3,675 per month, which means that I run short each month by \$877.

Now, here is why I think this new bill does not make any sense. As for my own application, I submitted on 19 November. This bill was announced a week later. You made this retroactive to 1 October. This means that I spent \$450 for nothing, because I have to get it done all over again under new rules.

Example: I have extraordinary operating costs of two categories. My taxes and water increased by \$5,500. If the new bill comes into effect, I have to go back and get four more categories. This is another \$450 or more to redo them.

Additional problems: My papers are with the accountant for income tax, and they are all filed separately. Second, this creates a large problem with tenants. I am trying to collect rents that are now due or will be due 1 March. My proposal was to be approved by 1 March, but I was told yesterday that they have not even been touched yet. My taxes are not and cannot be put on hold. I am presently in the red at the bank by \$10,000, which is my maximum line of credit.

As far as the financial loss or phase-in is concerned, that was one way to have gradual increases. With this new bill, apparently that eliminates that completely. How can a

landlord get a 280% increase in taxes and water and then try to pass that on to the tenants?

The Chair: The rotation will start with Mr Tilson.

Mr Tilson: I think the retroactive aspect of the bill is certainly one of the most devastating parts to the legislation, and I think the difficulty we have been seeing is that a lot of the capital expenditures are made on buildings during the summer. We have been hearing landlord after landlord after landlord who has made capital expenditures, made improvements during the summer months, even before an election was called, and of course those are canned. The government people of course say, "We want a breathing space." You can ask them. They are here. They are on that side of the table. Their answer to you is: "Tough, there's a breathing space. We have to have a moratorium, we have to have a breathing space, and it is doesn't matter. You're simply out of luck."

I guess my question to you is, what is going to happen to you?

Mr Campeau: I do not know. That is what I am here to try to find out. The way I read it, they just will not give us room to do any work. If we cannot pass the increases on, then what is the sense trying to do any work whatsoever? In other words, we are creating a slum area here.

Mr Tilson: Have you been to any financial institutions, the banks, trust companies?

Mr Campeau: As far as borrowing is concerned?

Mr Tilson: Yes.

Mr Campeau: Certainly. I have two mortgages on the building. Like I say, nobody is putting anything on hold. My payments come due every single month, and the bottom line is that I am running at \$877 and my taxes, my second payment is due the beginning of March, and there is absolutely nothing I can do. I am waiting for my March rent. Nobody has paid me rent yet, and I am just waiting for my rent to make my payments.

Mr Tilson: Prior to this legislation, how would you classify your profit in the building?

Mr Campeau: My profits?

Mr Tilson: Yes.

Mr Campeau: Like I am saying—

Mr Tilson: I am saying that tongue in cheek, sir.

Mr Campeau: Yes, definitely. I have a credit line on that building of \$10,000. I am at my credit line right now. As a matter of fact, I have passed that credit line. I have been putting money out of my own pocket to pay my taxes. My taxes in one year increased from \$3,300 to \$8,500.

Mr Tilson: If your building starts to deteriorate, you might do what happened in Toronto. A landlord applied and the taxes were reduced. That is another problem that is

going to affect the whole property structure. Landlords will be forced, because of increasing taxes, to apply where their buildings are deteriorating and taxes will be reduced.

Ms M. Ward: First of all, I want to comment on what Mr Tilson said about we were saying, "tough." We are here to listen to what you are telling us and that is not our attitude that it is tough.

You were talking about your taxes and water increasing by \$5,500 and you said you have to go back and get four more categories. I did not understand your comment there. Do you think you have made a new application which covers everything that is listed in the new bill?

0910

Mr Campeau: This is what my colleagues are talking about. Apparently I need two categories for my application. With this new bill, apparently you need six applications, so you have to go back and redo them all.

Ms M. Ward: I do not believe that is the case. I think you should check that out further, because you could have an increase in your taxes, an extraordinary increase in your taxes, and not necessarily in your insurance and all those other categories. I do not believe that is the right interpretation and I would suggest you check that further.

Mr Campeau: Okay.

Mr Mammoliti: I too take particular offence to Mr Tilson's remarks, Mr Chairman. Just for the record, we are here to listen, and we are here to listen to landlords and tenants. Yesterday we had a tenant representative in front of us who was pretty clear in saying that at all times somebody suffers when it comes to a piece of legislation, and for years tenants have been suffering. Perhaps there may be some landlords, with this piece of legislation, who may suffer, but for the long run it will be a fair system. This is what this tenant was saying. How do you feel about that particular tenant and the comments that were made yesterday to this committee?

Mr Campeau: It is very simple. Like I told you, my rent comes up to \$2,798. Okay? That is what I am collecting right now, and 1 March is my deadline. My taxes were increased last year. I had to pay that out of my pocket last year. I could not do anything about it, because I could only put in my application in December. The taxes were not out yet. There is no retro on the taxes, yet I have to pay it out, an increase of \$5,200 or \$5,300. I lost that last year. Now what you are asking me is to lose it again this year. How can I survive losing \$877 a month?

Mr Mammoliti: That does not answer my question. Again, the tenant said that with all pieces of legislation, somebody along the line will suffer, but with this particular piece of legislation, in the long run it will prove to be positive. How do you feel about that, that tenants have been suffering for years, and now that we hear from some landlords who may be suffering, in essence may be suffering, how do feel about that particular remark? That was my question.

Mr Campeau: Okay. I have had approximately 24 or 25 apartments in the past couple of years, and believe me I have not seen a tenant who suffered yet. When you are

paying \$212 for a one-bedroom apartment, I would not call that suffering. Right now I am suffering and I would like to sell it, and if you would like to buy it you are welcome to it, believe me. I cannot even dump the place. I cannot sell it. Who would buy it? I am stuck with it. I am the one who is stuck with it. If you want it, it is yours.

Ms Harrington: How many units do you own?

Mr Campeau: Presently 10. I am on my last building, yes. I sold one last year.

Ms Harrington: You just own one building? @N =

Mr Campeau: One building of 10 units, yes.

Ms Harrington: Okay. So you did have another building last year?

Mr Campeau: Yes.

Ms Harrington: And how many units did that have?

Mr Campeau: It had 12

Ms Harrington: Over the past, say, two or three years, have you had rent increases in those buildings?

Mr Campeau: Rent increases? Well, yes, yearly.

Ms Harrington: How much?

Mr Campeau: Last year in this building I had 5.4%, plus I had a phase-in of 5%.

Ms Harrington: Okay. So it was a 10% increase last year?

Mr Campeau: Yes.

Ms Harrington: In this building?

Mr Campeau: Yes. This apartment last year, was \$192 for a brand-new apartment. Do not forget I put \$100,000 in that building renovating it three years ago. It was \$192 for that apartment.

Ms Harrington: Did you get a pass-through on that renovation cost, above the guideline cost?

Mr Campeau: Oh yes, that was a phase-in. That was an approved phase-in and it was for three years.

Ms Harrington: And how long will that phase-in go?

Mr Campeau: It was for three additional years, but I cancelled it this year when I made a new application. I had to cancel that phase-in because of my taxes and water going—you know, I am showing an increase here of \$5,500.

Mr Mahoney: The example that Mr Mammoliti gave you, Mr Campeau, was of a tenant in the Toronto market, and I think that is part of the problem. This legislation is being brought forward to deal with some serious problems in the Toronto market that certainly would not be the same in Sudbury or outside of—we refer to it as the province of Toronto. It is not the province of Toronto, it is the province of Ontario, and I do not think it takes into account concerns in communities like this.

I would like to get an idea of the difference between regular maintenance that you might spend—if you could even quantify it down to that \$212 a month rent, as a percentage—on regular maintenance, general upkeep if there is a plumbing problem or something along those lines that occurs, if a tenant contacts you that the fridge is not working; whatever it happens to be. Is there a percentage

that you build into your base rent to cover ongoing maintenance, as opposed to capital renovations?

Mr Campeau: No, I do not have any set figures to say so many dollars per apartment. Because of the fact that they are new apartments, my maintenance would not be that great, but I do have a superintendent who looks after it who does cost me \$200 a month, and naturally there is—you know, the refrigerator is not working, sure, he goes over, he might have to buy a part for plumbing. Yes, this goes on every single month.

Mr Mahoney: So you do provide an ongoing level of maintenance for your tenants?

Mr Campeau: Oh, definitely.

Mr Mahoney: Part of the argument to justify this bill is that rent should be used to pay for ongoing maintenance. I cannot argue against that. There should be a certain amount of regular maintenance covered in every landlord's statement of cash flow, whatever, and yet the implication is that all landlords do is stick the rent in their pockets or pay off their mortgages with it and then if there is any maintenance required they apply to rent review for some kind of increase. I guess there are examples where there have been very outrageous landlords, primarily in the Toronto area, but I guess I am trying to make the point that there is a difference between regular, responsible maintenance, dealing with a tenant who would have a right to call your superintendent and say, "I've got a problem, my plumbing is backed up," or whatever it happens to be, and get some assistance, and you provide that on an ongoing basis.

Mr Campeau: Most definitely.

Mr Mahoney: What kinds of increases have you looked at, say over the past four years? How long have you owned the building?

Mr Campeau: This building here I have owned for three and a half years.

Mr Mahoney: So what kinds of rent increases, say for that, was it \$212 you said, for a one-bedroom?

Mr Campeau: What happened was, this was a sixplex which was converted to a tenplex. It was completely rebuilt. I will just give you a quick rundown on the building here. When I purchased the building I got the approval to change it to a tenplex. This is where the \$100,000 comes in. My application was made with rent review, and in fact it was filled out with them and I was told to put it on as a new unit. I rented those apartments. The market value was approximately \$350 for those units, which is what they were rented at, which was all done through rent review. Then a year later, they came back and said, "You cannot make application as new units because you need a 10% increase on the exterior of the building." This is where everything became very, very confusing.

Mr Mahoney: What I am trying to get at is, from a tenant's perspective, I am a tenant renting a one-bedroom that I moved into three years ago. How much has my rent gone up each year?

Mr Campeau: Actually, it went down. My tenants who are in there presently, when I finished the units, moved in at \$350 a month. Presently that same tenant, like

I say, in this apartment here is now paying \$212. It went from \$350 to \$212, okay? That is what I am stuck with. My taxes then were approximately \$2,800. They are now \$8,500.

The Chair: There is time for one more short question, Mr Mahoney.

Mr Mahoney: I am almost aghast at that. You have applied to recover that loss and are awaiting a hearing, but now that this bill has come in that hearing is virtually shot.

Mr Campeau: That is right.

Mr Mahoney: So you are not only facing the fact that this bill is going to restrict you in the future, you are looking at the fact that your tenants received a substantial decrease of almost a third of their rent, for goodness' sake, almost a 30% decrease in their rent, and you have no opportunity now, because of Bill 4, to increase their rent back up or even close to that level?

0920

Mr Campeau: That is right, plus the rents were retro.

Mr Mahoney: Are you facing bankruptcy?

Mr Campeau: If it was for that building, most definitely I would have been declared bankrupt a long time ago, if it would not have been for putting my own personal money into it. I may also say that those rents were retro. After a year, I have to give those tenants back their rent. That is what I was stuck with.

Mr Mahoney: Did you do that?

Mr Campeau: Most definitely; I had to.

The Chair: Mr Campeau, thank you for your presentation this morning.

STEVEN DRAVES

The Chair: Steven Draves is next on our agenda. Sir, we are going to follow the same procedure. You will have approximately 10 minutes to make your presentation to the committee, followed by 10 minutes of questions.

Mr Draves: Okay. I have typed out what I am going to say and people can follow it if they have copies.

Good morning. My name is Steven Draves and I am a landlord in Matheson, Ontario. I started to renovate an eight-unit apartment building in April 1990. I am now in a financial bind, only because of the provincial government's proposed rent legislation.

I am 27 years old, a licensed general carpenter and an apprentice electrician. I got married on 30 June 1990 and my wife and I have been living apart and will be living apart until the renovations of the apartment building are finished. I have received all of my building experience from my grandfather, who just turned 74 years old.

The building in question was a stable in the day of my great-grandfather. Somewhere in the 1940s my grandfather began building apartments in the stable. Over the duration of several years, the building eventually ended up with eight apartments and an area my grandfather used as an office for his construction business. My grandfather also built a house next to the apartments for his family of six to live in. This building was a way for my grandfather to do

something that he knew how to do and provide his family with a little extra income.

I entered into an agreement with my grandfather to purchase the apartment building and the house next door in January of 1989. The reason my grandfather wanted to sell me the building was that he saw a way for me to take what I had learned and turn this building into something that would benefit my wife and me in the future. The construction of the building was outdated and needed to be upgraded. My grandfather and myself searched for the best way to complete this task and discovered a grant called low-rise rehabilitation. This involved having the building inspected by a government inspector, who completed a list of items that had to be addressed in order to receive the grant of \$5,000 per apartment. The inspector's list of items to complete cost much more than the \$40,000 grant that would be received after the work was complete.

My grandfather and I realized that in order to do all the work that was demanded of myself, I would have to raise the rents of the apartments. My desire was to have the rents of one-bedroom apartments all the same, and the same idea with two- and three-bedroom apartments. I talked with rent review and I was told that if I wished to raise the rents due to capital expenditures, I would have to borrow the money, do the renovations and then apply for rent increases. If the increases were allowed, I would have to wait 90 days before they could be approved. I followed their instructions as closely as I was able. When I started to renovate, it was possible to spend the money, do the work and raise the rents so that I would at least be able to pay the mortgage and expenses for the building. I do not believe this was mismanagement and I find it hard to believe that you might as well.

The renovations that I was forced to do involved upgrading the roof, replacing all exterior doors and windows, replacing all the entrance doors inside the apartments, specific upgrades to the foundation, replacing all the electrical wiring and bringing the wiring up to code, installing fire code drywall between apartments and in storage areas. The motive for the upgrade was to extend the life of the building for 15 years. We had to open many walls, so I made the decision to replace all the plumbing in the building because of how old it was and the way it was installed. This also involved new sinks, toilets, tubs and showers. I also installed some new kitchen cabinets and replaced much of the wood chips that were used for insulation with fiberglass insulation. The brick chimneys were removed and replaced with B-vents to reduce fire risk. Almost all the flooring was destroyed in the renovations, and not from neglect, so much of it had to be replaced, and of course we had to repaint all the apartments. We also changed the layouts of most apartments to increase storage and reduce wasted space.

I think it is imperative that you understand that I took every measure to keep spending to a minimum. We reused as much of the old building material as we could: lumber, flooring, plywood, doors, fixtures, etc. Anything that we could not use, but still might be of use to someone, I gave away. I established accounts with distributors of building materials so as to decrease my costs of construction and

watched flyers for sales in case better deals could be found elsewhere on any items I would require. I always shopped around for the best price for a good to excellent quality. I hired one employee through Futures and had his wages paid for by the government for 26 weeks. This worker was also an unemployed tenant of my building. I hired a second employee who was also an unemployed tenant of my building. I hired two of my brothers to work with me; and another brother, both my parents and my wife helped me a lot on weekends and holidays. My mother went to the hospital with pleurisy and pneumonia aggravated by painting with enamel paint. I did not pay myself during the renovations and had to take a contract to work at a job site where five houses were being built. Between the income from the contract and my wife's income, my wife and I were able to survive and I was able to go on with the work. During the renovations I lived with my grandparents and my wife lived with her parents in North Bay. This kept our living expenses to a minimum.

Previously, if everything went well and I was able to collect all my rents, I could possibly realize a profit of \$6,351. I was willing to accept less profit per year for the apartments in order to do the renovations, but I would have to raise the rents. A one-bedroom apartment would rent for \$225, a two-bedroom apartment for \$275 and a three-bedroom apartment for \$325 per apartment, and the tenants would be responsible for hydro, natural gas, water, telephone and cable. I believe these rents are better than any subsidized rentals the government could provide.

My tenants are comfortable with the rents I proposed, and I have done these upgrades and repairs for much less than it would have cost anyone else to do. I do not believe these renovations were excessive or unnecessary, but I do believe I was trying to extend the life expectancy of this building by 15 to 25 years. If I did not do these renovations, this small town would lose eight apartments because the building in question was at the end of its lifespan and my grandfather never budgeted to overhaul the building, nor does he wish to at the age of 74. If he had, the tenants would not have enjoyed such low rents for as long as they did. Currently there is one apartment with a legal rent of \$52.84 for a two-bedroom apartment as of 1 January 1991. This woman makes more money than I do and yet I am forced to subsidize her rent. I could have chosen to be a slum landlord and ignored all of the problems in the building. I suppose I should have, because if I had done nothing to this building I would not be in a financial bind.

By taking the initiative that I did, I extended the life expectancy of this building at the end of its lifespan. I directly created at least four jobs, as well as using much material that would indirectly keep people employed. This was an investment that I was hoping would provide me with security as I get older, not make me rich in a few short years.

I have never seen such a display of pure ignorance as this government has shown to hardworking, honest landlords. I followed the rules in regard to rent increases and I was trying to give the people of this building a better place to live while at the same time being able to pay the bills. The government changed the rules without any fair warning

and also made the legislation retroactive. If the government's concern is to provide affordable rental units to the voters of this province, then I am at a loss to understand why they are destroying the landlords who, to me, are their allies. I realize there are landlords who do take advantage of tenants, but do not kid yourself, there are tenants who take advantage of landlords as well. This new legislation sides only with the tenants and does nothing for landlords.

I met with the Minister of Housing, Dave Cooke, in Toronto and he explained to me that this government was not going to allow landlords to gouge tenants with rent increases for unnecessary renovations. I believe this is a problem that is mostly restricted to large centres of southern Ontario. This is just another example of how we in northern Ontario have to suffer through rules and regulations that really should not apply to us. I would like to point out that 5% of \$52.84 is \$2.64 whereas 5% of \$850 is \$42.50. All of my expenses have gone up more than 10% in the past two years for each year.

I believe this government assumes that all landlords are evil and are gouging tenants, and I am here to tell you that this is fundamentally incorrect. Hard-working landlords like myself help to provide affordable housing for this province. This proposed legislation is already harming small landlords and if this continues affordable housing will dwindle quickly. Small landlords are being forced to bear the brunt of this legislation, which is completely inappropriate and unfair. Controls may be required to manage the activities of large landlords in major urban centres, but the same controls cannot apply to smaller landlords in smaller rural areas.

I hope I have given you a better understanding of the situation that faces me. I am now not able to get a mortgage on the building and I am not able to raise my rents. I have spent much money and I am having extreme difficulty figuring out any way to repay the money I have borrowed. Time is not on my side.

I have also included some correspondence that I had with a gentleman in Hamilton, Ontario. He wrote me after seeing an article about me in the Hamilton Spectator. I wrote him back and we exchanged some correspondence. I think you might find it interesting.

Ms Harrington: Mr Draves, I want to thank you for coming here and giving us exactly what you have been doing in the last while. Personally, I would say that I commend you on all your efforts in trying to make these apartments viable and make them affordable and also invest in Ontario and invest in your future. I see nothing at all wrong with this.

I am glad that you met with the minister and that he is personally aware of your situation. I know he mentioned it to me, that he was talking to you in Matheson, or that you actually came—

Mr Draves: I met with him in Toronto.

Ms Harrington: —to Toronto. But he did talk to you.

Mr Draves: Yes, he talked to me.

Ms Harrington: He let me know where Matheson was. All I can say is I realize that you are caught in this

situation and that something has to be done to accommodate these types of situations.

Mr Draves: As I said, time is not on my side. As the gentleman before me said, the bank wants its money when the payment comes due. I cannot tell them anything. I can tell them all they want about the government's intentions and what the government might do and I have even had specialists from Toronto write me letters saying that maybe this legislation might turn around and allow me an out. The bank does not care.

Ms Harrington: Do you have a final deadline?

Mr Draves: I have been concerned with finishing the building. I have done this upon myself. I could have hired people to do this, but I did it all myself to keep my costs as low as possible. I figure in the next two weeks we will finish. I have called rent review and asked about submitting an application. They say I am wasting my time. They say, why would I even bother going through the efforts of doing an application to rent review when I might be just turned around and made retroactive? Why should I waste two or three weeks of my time?

0930

Ms Harrington: In filling out the application.

Mr Draves: Yes, and going through and doing all of the things that have to be required for me to tell what I did so that they can base the increases on that. I am going to finish the building and then I am going to sit down with my grandfather and my parents and my lawyer, who is also my uncle, and we are going to see if there is any avenue for us to take to get me out of this situation. But as I said, time is not on my side.

Ms Harrington: I will again tell the minister that I met with you.

Mr Draves: As the other gentleman said before, if you want the building you can have it, because this has taken a severe toll on me. I think I am an ally to this government, and any government, in building. I am a carpenter. I work with my hands. I am doing something that I know how to do that is helping this government. And you have burned me, you have burned me, and I am not going to step back into this again. You think I am stupid?

Ms Harrington: No, I did not—

Mr Draves: No, I am not advocating that you think I am stupid, but why would I go back into a rental housing market of any kind and take an old building and fix it up when this has happened to me now? I am not going to go back in and do this, and you and I cannot foresee how many buildings I might have renovated in the next 30 years. So what am I going to do? I am going to go and find a job somewhere and work for somebody on an hourly basis because I tried to make a go of it myself and I got hurt severely.

Ms Harrington: I just want to end by saying that I do not know—I could ask you whether or not you agree that the system we had in place was working for landlords and tenants.

Mr Draves: I am not here to analyse the system that was there. I ran by the rules.

Ms Harrington: Yes, I know.

Mr Draves: I worked by the rules and you have changed them without any fair warning to me. A renovation cannot be completed in a month. It takes a long time to do. You said, "Okay, we're going to change the rules and make it retroactive back to 1 July 1990." What kind of fair warning is that to me? The minister said, "You knew the government was going to be elected," and I said, "Come on, who thought in April the NDP would be elected?"

Ms Harrington: I just want to let you know that we are doing this to get a better system in Ontario.

The Chair: I am sorry. We are running over time here.

Ms Poole: Welcome to the committee, Steven. As a former resident of Matheson, I can assure members of the committee that nobody in Matheson would have believed in July or any time that there would ever be an NDP government in this province.

Mr Mahoney: Nobody in Ontario would believe that.

Mr Mammoliti: Well, we are here.

Mr Draves: I think Dianne Poole would also be able to advocate that my grandfather is probably the most honest man anyone could ever meet, and if anybody thinks that people are being ripped off of rents or anything in Matheson, then he is seriously wrong.

Ms Poole: I can certainly confirm that your grandfather is a man of very high integrity and is a community leader in the Matheson area. Thank you for your presentation, Steven, and for bringing your case before us. I think you have personified some of the problems that are happening with the retroactivity.

In your closing sentence, you said, "Time is not on my side," and you reiterated that with Ms Harrington. The government members on many occasions have said this is interim legislation so we are not to worry. There is a long-term solution coming down the pipe. But this legislation can go till 1 January 1993, two years.

Mr Draves: I will be finished by then.

Ms Poole: Will that be too late for you?

Mr Draves: I will be finished. We are talking months in my case; we are not talking years. As I said, the bank wants its money. I will hold out as long as I can, hoping for some kind of solution, but at some point somebody is going to tell me, "Hey, we want our money," and then I will have to deal with that situation when it comes.

Ms Poole: We certainly hope it will not come to that and I think we will be looking for amendments to this legislation to ensure it does not come to that.

You have said in your brief that a one-bedroom apartment would rent for \$225, a two-bedroom apartment for \$275 and a three-bedroom apartment for \$325. I just want to confirm these are the new rents if the rent increases had gone through.

Mr Draves: If I was allowed. I am not really concerned. Rent review might have said I could have any of them higher. I just want them standardized and I want them at a rate that I do not have any trouble getting tenants

in there but I am able to pay my bills. I have a waiting list of people to get into this building. I have told them, "Look your rent might go up to \$225 or \$275," and they say "Hell, I'll pay that." It is cheap for this area and they are nice apartments. We spent a lot of time and effort.

My motto is that I would want to be able to live in that apartment before I finished it, and that is a motto that our whole family used when we renovated those buildings. We took no shortcuts. We wanted to make them comfortable and livable, and we do that in hope that we will not have any trouble renting these apartments out in the future. I think that is a sound argument, a sound way to do something.

Mr Tilson: One of the comments that has been made by the government side of this committee throughout the hearings, and by people who have come to us, tenants' associations mainly, is the submission that what landlords have been doing is they have not been maintaining their buildings on a regular basis, which means of course then they have to say, "We have to generate large amounts of money for capital expenditures." In other words, the suggestion has been that the buildings have been purposely allowed by landlords to become rundown so that they would therefore be able to go to rent review and say, "I have to make a major capital expenditure." Have you seen any evidence of this in this area?

Mr Draves: No, I think the rents indicate it. I would have trouble believing how anybody could tell me I could afford to make renovations on the rents that were being collected. Even if my grandfather had set money aside for renovations, it would not have been anything nearly enough to cover what I have done, especially if he had gone out and hired someone else to do it.

What this government is advocating with this new legislation is it wants landlords to budget for capital expenditures in the future. I cannot even start to imagine what rents might go up to because nobody knows what is going to happen in the next 20 years. Who would have thought 20 or 25 years ago that we would have this stuff we have now? I do not know what the future holds. I do not know how electrical is going to change or how plumbing or anything is going to change. So how can I budget for something I do not even know? You deal with it when it comes to you. If my grandfather was told this 25 years ago, these people would not have had these low rents for as long as they did.

Mr Tilson: On that note, I appreciate the comment in your presentation too where you state there is one legal rent in your building of \$52.84, which I assume is per week.

Mr Draves: No, that is per month. My grandfather's motto was when someone moved into a building, he did not raise the rent until that person moved out. This is something he has lived by since before 1950, and it is not funny.

Mr Tilson: I did not mean it as funny, sir.

Mr Draves: No, this gentleman over here is laughing at it. My grandfather had the highest integrity, but if people were honest and fair to him, he kept their rents at one

level. This lady has been in it since before 1960 and he has not raised her rent.

Mr Tilson: Sir, there was an article in the *Globe and Mail* at the end of January where this very point was made. It states the rich will get richer. The experience in the United States and worldwide shows that rent controls benefit the middle and upper class and leave the poor in deteriorating units. I think your story here this morning is an example of that. Obviously, when you get rents that low, they are going to stay that way and there are not going to be any renovations done to your building to improve it.

Mr Draves: How can you budget for it? How can you put any money aside?

Mr J. Wilson: How many tenants are in your building?

Mr Draves: The building is fully occupied.

Mr J. Wilson: Are any of them low-income individuals who would require—

Mr Draves: I have a handicapped senior. I have two other seniors. I have one woman with a young child who is on some kind of mother's allowance and works part-time. I have another tenant who is currently working for me and will go on unemployment when he is finished. I have another gentleman who has just been hired on as a salesman and another gentleman I am not familiar with at all.

Mr J. Wilson: If the government had not brought in this bill, would they have been able to handle the rent increases?

Mr Draves: They all think the rents are fair. They have all advocated to me that—the one lady I have got who has been there since away before 1970, she wants to pay the rent. They all want to pay the rent, but legally I cannot accept it.

Mr Tilson: I would say they will think \$52.84 is fair.

Mr Draves: Can you imagine how much of a waiting list I have for that apartment?

Mr Tilson: I guess, and the list is going to get longer, too.

Mr Draves: It already is.

The Chair: Thank you, Mr Draves, for your presentation this morning. We appreciate your coming.

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UNITED TENANTS OF ONTARIO

The Chair: The next presenter is United Tenants of Ontario: Rick Desormeaux, chairperson.

Mr Desormeaux: I am not the chairperson yet. UTOO is a provincial coalition and I am a representative for the north central region.

The Chair: Okay, just identify yourself for the record and your official position.

Mr Desormeaux: Yes, it is Rick Desormeaux, north central rep for United Tenants of Ontario.

The Chair: Thank you very much, Rick. We are following the same procedure. You will have 10 minutes for your oral presentation and we will reserve 10 minutes for questions by the committee members.

Mr Desormeaux: I am very concerned and our group is very concerned about the politicization of housing. We do not believe that housing is only an economic matter, although there must no doubt always be an economic component to it, and we certainly do not believe housing must be a giant political football. We suggest that our local group, which is Sudburians Organized Against Poverty, really pushed the idea that housing is a right and it should not be locked into commodity thinking or partisan bickering between landlord groups and tenant associations.

I do not believe that people who need adequate, appropriate, affordable housing and do not have it particularly care about the power games. They care about securing adequate, appropriate, affordable housing and Bill 4 is a stopgap measure designed to ensure that rent increases are based on real and realistic bases. As a stopgap measure, designed to be replaced by fully-thought-out legislation which will answer the concerns of both organized tenants, landlords and people in economic poverty situations, it is acceptable.

In the long run, government, landlords and tenants will have to hammer together legislation which moves adequate, appropriate, affordable housing out of the adversarial arena into a co-operative one. There is no good reason for people who need a place to live to be pitted against home providers. Legislation which is co-operative would recognize landlords' need to make a fair return on their property and tenants' need for adequate, appropriate, affordable housing, and neither need be victims or villains of this.

When I come down to meetings in Toronto about housing, there is very much a "them and us" kind of feel to these meetings, and that is not right that it is a "them and us." I do not believe that tenants' groups and landlord groups have to be enemies. I believe—this is personally—that most landlords are basically good and they are trying to do their best and most tenants are basically good and trying to do their best and that it is—well, it is kind of realistic at this point that it is assumed that one side is to blame and the other side is not to blame. It is kind of the way things work, but personally, from my experiences with the politics of housing, I think there should be like a no-fault housing situation where we say it is not the landlord's fault, it is not the tenant's fault, it is not anybody's fault, but it is the housing that has to be created for the people who need it and cannot afford it. And that is the end of my presentation.

The Chair: Ms Poole?

Ms Poole: Just let me get the breath mint out of my mouth there. Please do not put that on Hansard.

Mr Owens: Too late.

Ms Poole: Too late?

Mr Owens: It is done.

Ms Poole: Rick, I really want to congratulate you on your presentation today. Unfortunately, what has happened on this committee is, most presentations have been extremely polarized to one viewpoint or the other and there have been very few in the middle. I particularly appreciate your comments that you do not believe landlords and tenants

have to be enemies and there should be a no-fault provision for housing where you are not trying to blame but to try to work together.

One of the problems I have with Bill 4 is I think it is going to polarize tenants and landlords. I do not think that some of the tenant protections that should be in it are there, and I also think that the retroactivity is unfair to the landlords. Do you have any ways that you would like to see Bill 4 changed so that landlords and tenants would be encouraged to co-operate more together?

Mr Desormeaux: I see it as more of a basic problem than the legislation. I see the legislation as a symptom of something else and not as a cause of a problem. I think that really it was apparently put together solely by politicians, and maybe I am wrong, in consultation with some tenants' groups. And I think that if you want to make amendments to this legislation, it should be a three- or four-sided kind of decision, that there should be input from the landlord representatives, who have very strong feelings, and from the organized tenants, from the unorganized tenants, who do not have the power to say what they want like the organized tenants can, and politicians and other experts. I think that is what I would say, but that would be more in the future.

Immediately? Let's say you are considering cases like, oh, they bought toasters for each apartment in a building and they charged extra rent for putting in toasters, this kind of thing. You say, "That's a frivolous expense," and this kind of thing. Obviously, this is not the kind of situation that we have had so far today. Or there is the situation where they put in new carpeting, nicer carpeting, and they charge more rent. I think that is the kind of thing that this bill was primarily meant to avoid; that you wanted only capital expenses that actually are necessary.

Ms Poole: So you would like to see a provision in this bill where capital expenditures for necessary repairs are allowed but luxury renovations and frivolous repairs are not.

Mr Desormeaux: That is one thing that confuses me about this hearing, because the amount I have read about this legislation seemed to say that it was luxury renovations, as opposed to renovations that are necessary.

Ms Poole: No repairs, necessary or other, are allowed—

The Chair: Order, please. Mr Tilson?

Mr Tilson: Just carrying on with that issue, sir, that is one of the areas that our party has been concerned with, the lack of communication between landlords and tenants, specifically dealing with capital expenditures. I mean, we have tenants' groups that have come to this hearing, and I have experienced it in my own riding, that the first time the tenants may even have any connection with the landlord is during some application for a rent increase, which is really too bad. In fact, it is not only too bad, it is not acceptable, because there are examples of expenditures that may not need to be made that have been made.

Our party will be putting forward a proposal of what we call a democracy clause, which will give tenants input into specific capital expenditures that may be made, and obviously the landlord cannot make those expenditures or

those capital improvements without consultation with the tenants. Would you support such a clause as that?

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Mr Desormeaux: Yes, because basically I do not think most tenants would disapprove of renovations where, let's say, the building really is falling apart and the landlord is trying to make sure that the building lasts longer. I do not think most tenants would really disapprove of a fair increase for that kind of use. Now, like I say, I thought that was in the legislation that it was something like an emergency repair that would be covered and luxury renovations, something like a carpet that does not need to be replaced or toasters that the tenants do not need, would not be receiving it.

But in general, sure, I think that the tenants know that buildings have to be renovated from time to time and that there may be some rent increases and that if the rent increases are fair—

Mr Tilson: I think, sir, too, just communicating with the landlords, I know in my own riding this past Friday I had that exact situation happen where the tenants had never met their landlord, believe it or not. They had owned the building for, I do not know, three years. I know it sounds hard to believe. All the communications had been through the superintendent. By coincidence, both the landlord and the tenant wrote me letters, as someone sitting on this committee, from opposite points of view. So I invited them both to attend a meeting and they met each other for the first time and they had it out. Not a great deal was resolved because of the complexities of this issue, Bill 4, but at least they met and discussed some of the problems.

I would like to ask you one final question, sir, and that has to do with statistics that have been presented to us by the ministry from the Canada Mortgage and Housing Corp where the vacancy rate in the Sudbury area as of October of last year was 0.7, the lowest of the cities we are going to, and at the same time the rents are the lowest of any of the cities that we are going to, which I guess emphasizes the problem of capital expenditures. You seem to be experienced in or have had some experience province-wide. Do you think that the situation in Sudbury is different from the situation perhaps in Toronto?

Mr Desormeaux: I am experienced in certain situations. For example, there is a difference because there are no real organized tenants' groups in the north the way there is in the south, so there is not—in our meetings we are more concerned with what we can bring to the north to help the northern situation and I find in the south they are more interested in who wins and who loses in landlord-tenant disputes.

Ms Harrington: I am glad you brought up the point about the tenants feeling polarized and the opposite side from the landlords. That is something our new government would like to address and get people working together.

I know there has been a lot of difficulty on behalf of the landlords looking at Bill 4. What it is is a breathing space to cap the rents at 5.4% this year. Now 5.4% is a decent increase, and of that, that has to go to maintenance and repairs. A lot of landlords do not go to rent review to

get increases more than the guideline of 5.4%, so I submit that many good landlords can get by very well with that cap without getting more and more expenses on top of that. But what I am saying is that Bill 4 is a breathing space so that we can see where we should go from here and how to bring people together.

A point I think you made—let me just check on this—is that the legislation we had is polarizing people and it was not working. Would you agree with that?

Mr Desormeaux: I am not an expert in housing. I am part of UTOO, but my first responsibility is for an antipov-erty group here.

Ms Harrington: That brings me to the point I wanted to get to. What kind of per cent increases do you personally know about, say, in the building you have lived in? What kind of per cent increases have you experienced here?

Mr Desormeaux: Personally, I cannot afford to get an apartment, so I moved back with my parents several years ago, because I cannot get the two months of rent together at one time to get a home of my own.

Ms Harrington: Do you know of buildings through the group that you are associated with, the poverty group, where there have been rent increases of over the guideline of 4% last year or 5% this year?

Mr Desormeaux: Not personally.

Ms Harrington: Do you know of people who have been evicted or had to leave because of the cost of the apartments, even though, as Mr Tilson said, it is lower than the rest of Ontario? Do you know of people who have had to leave because of the rent?

Mr Desormeaux: Mostly I know of people who are having trouble getting a place, because, unlike some of the landlords we have had this morning, a lot of places are closer to \$350 and upwards than \$200.

Ms Harrington: Usually this is what happens. All the lower-priced apartments you cannot get hold of at all, but there are some available in the higher levels.

Mr Desormeaux: Yes, so our problem is more people trying to find accommodations than people in accommodations worried about being kicked out.

Mr Mammoliti: One of my biggest concerns personally, and I think I am safe in saying that it is the committee's concern as well, is that communication is something that we have to learn about. What has been happening in Ontario, and what we are finding, is that there has not been any communication between landlords and tenants. You brought it up earlier; my fault, your fault. Again, I am concerned about this, and what I am finding is that for the most part tenants have been trying to communicate with landlords, but landlords have not wanted to give them the time of day. That is what we are hearing. Has this been happening in Sudbury? Has this been happening in the smaller towns? It certainly has been happening in the bigger cities.

Mr Desormeaux: There has been some of that, but I think there is a bigger problem, which is the stereotyping, which would hamper the communication even before that

stage, because I think there are some basic assumptions by landlords of what tenants are like, there are some basic assumptions by the tenants of what landlords are like, and they both have some pretty strong assumptions about what the government is like. It is sort of—

The Chair: Very good. Thank you, Rick, for your presentation. We appreciated all the information you brought to us this morning.

ZULICH ENTERPRISES

The Chair: The next presenters, Dario Zulich and Matt Szalai. Gentlemen, we will be following the same procedures. We will just ask you to identify yourselves for the record and any organizations that you may represent so that we are clear.

Mr Owens: Excuse me, Mr McCarthy.

Mr Szalai: I am Matt Szalai, controller of Zulich Enterprises, and to my left is Dario Zulich, general manager of Zulich Enterprises. I will be commenting on the information provided on the schedule submitted with our brief. Dario Zulich will be expressing his views and recommendations concerning Bill 4 and rent controls.

Thank you for allowing us to present our information and views on the RRRA and Bill 4. Zulich Enterprises is a family business and has been involved in residential real estate for 25 years. The first apartment building purchased 25 years ago is still owned and managed by our company. Needless to say, we are in the real estate business on a long-term basis.

In more recent years we have diversified into other real estate sectors that provide better investment returns. We own approximately 700 apartment units, 200,000 square feet of various types of commercial properties and 200 acres of raw undeveloped land throughout the Sudbury area.

We have prepared a schedule summarizing information relating to our applications for whole-building review under the RRRA. The majority of our applications for rent review were for a capital expenditure allowance. Our weighted average total justified increase amounted to 12.69%. The rent increase was recovered over an average of three years in order to minimize the economic impact for all concerned. This translated into an average annual rent increase for buildings under review of 7.56%, these statistics again supporting the fact that high rent increases, as the government refers to, are few in number.

During the past three to four years we have spent in excess of \$2.1 million on capital expenditures. These capital expenditures could not have taken place without provisions for the recovery of these expenditures and the resultant availability of financing. Again, I want to stress that the majority of our capital expenditures were financed.

With respect to capital reserve funds, it would have taken approximately 41 years to build up a 1% capital reserve fund to fund the \$2.1 million of necessary capital expenditures. These capital expenditures were not a result of neglect of ongoing repair and maintenance but were the result of other factors.

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The retroactivity of Bill 4 has created great uncertainty in the investment community. In our particular situation, we had made a business decision concerning a capital expenditure as far back as April 1989, and this decision has been affected by the retroactivity of Bill 4. In total, \$459,000 of our capital expenditures have been affected by the retroactivity of Bill 4.

Now I would like to pass the mike over to Dario.

Mr Zulich: Again, thank you for everyone listening to us today.

I want to start off by first analysing and seeing what exactly is Bill 4. Simply put, it is a "stop everything" measure which enables politicians, the government, landlords and tenants to step back and notice that there is a problem, step back and try to come up with some workable solutions to be implemented to solve this problem. For this I am actually grateful that the new government has proposed Bill 4, and I am proud of this government. Its intent is admirable, but the content, especially with retroactivity, is very questionable.

As Matt said, we are standing to lose \$500,000 because of this retroactivity. We had made decisions based on the laws at the time and we feel that those laws should still be standing because the money is already spent. We cannot take back our money.

Just as with the last presenter, and I have been seeing these hearings, I find that the hearings deal with a lot of very important issues, but I think they are going on a tangent away from Bill 4. They are very important issues and problems that Ontario is facing, but they are problems that, with or without Bill 4, will not be resolved. These problems are the availability of apartments—there is a vacancy rate of less than 1%—and the affordability/poverty issue, where as rents increase by inflation they still are greater than increases in the salaries of people in apartments, especially the poorer people. There are large rent increases, which is another big issue, but these rent increases have been justified. There is large discrimination because there are large waiting lists, and of course landlords can choose the cream of the crop of tenants on their waiting list. There is also deterioration; no money has been spent over the years because the money was not there for the landlords to spend it on the buildings. I guess the reason why all these problems are here is because rent controls had caused them.

We are diversified also into the commercial market, and the commercial market is similar to the residential market—we have customers or tenants—but the problems in the residential market are not to be found in the commercial market. There is high availability and affordability for tenants. There is abundance of space. In fact, lately rates have been coming down in the commercial market. Tenants can choose when or where they want to be, how much they want to pay, how long a lease term should be. Landlords such as ourselves, to attract tenants, we give them substantial improvements or incentives, free rent to take care of their moving costs and their startup costs. We would turnkey their unit to provide them with carpet, painting and brand-new leaseholds. We pour capital expen-

ditures into commercial buildings not to increase the rents but just to keep tenants. The reason is because there is more space than there are tenants. And, of course, there is no discrimination in the commercial market as long as you have your rent cheque. I do not care what nationality or what level of poverty you are at, that is all that matters, especially with such a high vacancy rate.

All of these problems are faced by commercial landlords. They are not problems faced by residential landlords. Conversely, I guess, these problems are faced by residential tenants. So, to almost throw a wrench into the whole rent review process, because most landlords do not like rent review, I almost am in favour of it, for those reasons, that I am not subject to the same problems as I am in the commercial market. There are no vacancies in the residential market. I do not have to advertise. There are large waiting lists. I get to pick the cream of the crop, and I find that lately tenants are becoming more educated. They are selling their homes to start to live in apartments because it is cheaper. So I get quality tenants in our apartments.

The non-essential capital assets in a residential market get stretched beyond their expected life, like, for instance, carpeting. Most landlords will not change carpets or pave the driveways unless it is absolutely necessary because the apartments are still going to rent regardless of whether you pave or not because, unlike in commercial, tenants have no choice; they cannot move.

Given all these issues, I guess what we would like to propose, through this Bill 4, to the government is that when it makes up its solutions to the problem the retroactivity must be eliminated to restore the confidence of most business sectors in Ontario and, as we found through the hearings, around the world—such as those Koreans there. If decisions were based on laws of the time, these decisions cannot be reversed. We do not believe the law should be retroactive.

We agree on putting a cap on rental increases on capital expenditures to 10%. You will find that in our applications we have done that anyway just to help tenants digest their rental increases. We believe that landlords should be able to increase their rent based on financial losses only if those financial losses occur from an operating point of view, as opposed to a financing point of view. I guess the government is controlling our operating revenues. Then if operating costs go up, I think that the rents should be going up with them. But of course the government is not controlling the extent of leverage on our properties and I do not believe that financing costs should be passed through to the tenants. We own our first building from 25 years ago and I think that most of the losses caused by financing are caused by the speculators who flip the apartments. Banks will not lend us more than 75% and they will not lend us money on a building that cannot make the repayments. On that basis, if you are in it for the long term, you will never have a building that will lose money because of financing unless of course you pick the wrong time to finance, and that is just a risk of business.

In conclusion, apartment buildings, as in all kinds of businesses, have risks associated with them. There is the

business risk, as I said, which is the operating risk of the building as it pertains to the operating revenues and costs. There is financial risk, which is the amount of debt on the building, and that is at the discretion of the landlord and should be borne by the landlord. The more leverage, the more his return will be. But the introduction of the retroactive law is putting a component of risk into the marketplace that has not been seen in Canada, or in a capitalist market, which is a political risk. I would not know where to begin to calculate what kind of premium I would have to put on a business if I have to start wondering how much risk the government is going to play.

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The Chair: Mr Zulich, thank you very much. We are going to start our questioning with Mr Wilson.

Mr J. Wilson: Thank you very much, Mr Chairman. You began your presentation by observing that we are hearing a number of issues that technically fall outside of the contents of Bill 4, and I suggest to you one of the reasons for that is the government has used the heavy-handed approach of bringing in Bill 4 and then next week we are going to be seeing a green paper, so this committee is dealing with a bill—which they are calling a stopgap measure—that is going to proceed at the same time as broader discussion on housing policy will occur. It is important, though, for this committee to hear all of the issues involved, which may appear to be a duplication in efforts, because I do not believe that, politically, this government can retract on Bill 4. Once it is passed, it is very difficult, after the two-year moratorium, to go back to the Legislature and back to the voters and say, "By the way, now we're going to let rent increases at 10%, we're going to allow capital cost to flow through and a number of other things."

I also suggest, and would ask you to clarify, that you start off also by saying that you are really in favour of Bill 4, but I would say the balance of your arguments, which require amendments to Bill 4, will be, first of all, very difficult amendments. You mentioned that there should be necessary maintenance and repairs, which is not in Bill 4 right now. You also mention we should eliminate the retroactivity—there is retroactivity in the bill; it is one of the major concerns—and cap rent increases at 10%. The bill does not provide for 10% now; it is almost half that. Do you want to clarify that at all?

Mr Zulich: I agree with Bill 4, the intent of Bill 4, which is that something has to be done about the rental policies in Ontario, and what it is doing is bringing this issue into the light of the public and that is how I agree with Bill 4, by putting on a moratorium, stepping back and trying to figure out a workable solution, because right now it is not working and I think—

Mr J. Wilson: But do you think the government should have brought in the moratorium and then discussed? Should they have discussed and then brought in Bill 4, or something similar, as a result of discussions?

Mr Zulich: I think the moratorium is actually quite lengthy. I do not think it should be that long if there is in

fact one. The problem should have been discussed before coming up with any type of bill.

Mr Tilson: Your comments about the vacancy—I would like to raise it again, the vacancy rate in the Sudbury area. The statistics, as we indicated before, were 0.7 as of October last year, and that is the lowest of the cities that we are going to. I listen to landlords who particularly come forward in saying: "In spite of the interest rates that are coming down, in spite of construction costs that are not as great during this recessionary period—in other words, it pays to put up buildings right now, but because of Bill 4, why would we do it? Why would we build another building?" Do you have any thoughts, looking specifically at Sudbury? Because Sudbury has obviously a major problem as far as the rest of the province is concerned. What sort of amendments should this government put forward to encourage new buildings?

Mr Zulich: You hit on a beautiful point there. Before this Bill 4 came out, we had purchased a piece of property to build residential apartments. We are in construction as well, and the land costs are fixed and we can build them to rent. After Bill 4 I had shelved it and lately, because construction costs are down and now it is favourable to build, it looks like we are going to be proceeding to build condominiums, because of Bill 4. I think now is the time to do the building and Bill 4 really stopped any advancement in building apartments that was going to happen and in order to create that, maybe a type of government grant, Renterprise, a system that they had once in the past, could work again.

Mr Owens: I am looking at the spreadsheet that you provided for us. Under "Total Justified Increase," is that what you were actually given as a rent increase or that is what you asked for?

Mr Szalai: That would be the amount that we were given by rent review in the order. That would have been the total justified increase.

Mr Owens: Looking through this list, I see increases of 13%, 16%, 20%, 14%, 12%, 29%, 14%, 15%, 26%, 13%, 10%, and we hit 31 October 1990 and all of a sudden we drop to 9% and, in February of this year, 6.4%, and, in June of last year, 9.1%. Can you tell this committee whether you have suffered under the rent review process with increases such as you have listed?

Mr Szalai: We have not suffered under the RRRRA. We have made capital expenditures and been able to recover those costs through the legislation and also been able to arrange the necessary financing in order to proceed with those necessary capital expenditures. The total justified increase of, for example, 13.79%, we phased in over a three-year period and so the maximum amount of rent increase that the tenants were faced with in any one year was, say, approximately 8%.

I think the government is proposing to only allow the landlords to recover through the rent review process what they are asking for. Well, most landlords either hire a consultant or are sophisticated enough to be able to number crunch; and if you are allowed a 15% increase, because of extraordinary operating costs, you are not going to ask for

10%. You are going to ask for 16% to make sure you recover it. But the way the RRRA worked, that at least went into the rents and you could phase it in over a period of time, which reduced the economic impact on the tenant, and not only the tenant, but the landlord as well. It reduced turnovers and the costs associated with turnovers.

Mr Owens: So with respect to your comment about number crunching, did you find you came out on top of this, or did you end up being dead on?

Mr Zulich: I think all parties benefited. You are looking at not large percentage increases in rents, but if you are looking from the other point of view, a large amount of money was spent. So I think, in our situation anyway, the tenants received a fair tradeoff and we received a fair tradeoff on the money that we spent.

Mr G. Wilson: I am interested in the first submission. You mentioned that, "These capital expenditures were not a result of neglect of ongoing repair and maintenance but were the result of other factors." What are some of those other factors? More generally, the previous intervenor mentioned the need for discussion. In fact, I think you are saying too that your support for Bill 4 suggests that it is a good time to sit down and look at the whole issue of the rental procedure in Ontario. What contact do you have with your tenants, for instance, and would the other factors that came up here be in consultation with them?

Mr Szalai: In most cases we did not hold a full-blown meeting with the tenants. These improvements were a result of a decision we made, as well as a result of feedback we were getting from the tenants on an ongoing basis. We have an open-door policy with tenants and regularly hear their feedback concerning the property and everything relating to the property.

Mr Mahoney: Sir, I am having some difficulty reconciling your support of this bill—as you have stated, you support it in principle—and your pride in this government, which you referred to, with the fact that you have shown us a document that shows your company losing \$500,000 as a result of this bill.

It is nice to be in a community where somebody was actually thinking of building some rental accommodation. That does not happen in southwestern Ontario very often, but that is stopped as a result of Bill 4. So we have got two pretty major factors.

[Laughter]

Mr Mahoney: Well, you can laugh, but it was the gentleman's statement that Bill 4 stopped him from building new rental accommodation and his firm has \$500,000 at risk.

If this committee—in the majority, government members—turns down the amendment that would eliminate the retroactivity, and there is nothing to indicate that anything other than that will occur, are you still going to be proud? Are you still going to be in support of a bill that has put you out of the new rental housing market completely and that has cost you \$500,000?

Mr Zulich: No, sir, you are right. I will not support the bill. I guess I was facetious in supporting it. I was

supporting the idea that someone is taking a stance and bringing this issue to light. Of course I support it without the retroactivity and with the various other comments I had made on it. But in general there is a problem and if we can address it, I think sooner or later we will see that the only way to get rid of all the problems is to get rid of rent controls in total.

Mr Mahoney: Once again, I have that difficulty that you come full circle to the point of opposing rent controls completely, which would not be too compatible with the support for Bill 4. I would suggest to you that there has been nothing to indicate that the government is willing to eliminate this retroactivity; in fact, quite the contrary with many of the statements made in Toronto.

I know that Ms Poole has some comments or questions.

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Ms Poole: Thank you for your presentation today. It has been very helpful to us and I think it has also dispelled a couple of myths and some of the confusion that is out there about Bill 4.

The first item of confusion is that Bill 4 only deals with luxury renovations. There is absolutely nothing in Bill 4 that will allow a landlord to put through costs for necessary repairs, even if the building structure is in jeopardy or even if the health and safety of the tenants are in jeopardy or endangered. So that is one of the first myths about Bill 4. It does not make any provision for necessary repairs. So I appreciate the fact that we are in the same position on this, that there should be allowed necessary repairs and it should be capped, because we have to stop the outrageous rent increases.

The second myth is that the retroactivity only goes back to 1 October. Some people believe that it is only major repairs done between 1 October and 28 November that are affected. But that in fact is not at all true either. If you had a rent increase that was effective 1 October, you would have had to apply on or prior to 1 July, and not only that, your capital repairs would have been done before you even applied, so this retroactivity affects people who actually did capital repairs back in the fall of 1989 and spring of 1990. Do you agree with that?

Mr Zulich: Yes, I agree totally. That retroactivity goes back as far as 1989.

The Chair: Gentlemen, thank you for appearing before our committee today. We have used up our time and your brief was interesting. We appreciate it.

SUDBURY AND DISTRICT PROPERTY OWNERS ASSOCIATION

The Chair: We are going to move right along to the Sudbury and District Property Owners Association: Roger Hawkins, chairperson. If everyone at the table would just identify themselves, we are following the same procedure. You will have 40 minutes for your presentation, 20 minutes' oral presentation followed by 20 minutes of questioning. Your time is starting.

Mr Hawkins: I must say that you all look much better in person than on TV and I congratulate you for that.

Mr Tilson: Flattery will get you nowhere.

Ms Poole: How bad do we look?

Mr Hawkins: I hope this repartee that is occurring is not charged against our time. We are going to all speak very quickly, because we do have five presenters today. We will certainly try to fit in within the 20 minutes, and I certainly hope if we are 30 seconds or so over you will give us a bit of leniency, Mr Chairman.

The Chair: I have been giving everybody leniency.

Mr Hawkins: Thank you. On behalf of the Sudbury and District Property Owners Association, I would like to thank the Chair for affording us the opportunity to speak today. As part of our presentation, a number of my colleagues will speak on a variety of issues which relate to Bill 4. We are going to relate specifically to Bill 4. Steve Malcho is going to give you a northern perspective, and I am very pleased to see one of our northern members is on the committee; Bill Snow will be discussing issues and recommendations with respect to Bill 4; Lynda Beavis will be discussing legal concerns; and Peter Faggioni, who is president of the Sudbury and District Home Builders Association, will be discussing the impact on the construction industry. So I think it is an all-encompassing type of presentation which we hope the members will find helpful.

As an introduction, and having viewed most of the hearings from Toronto, we would like to clarify some general concerns that we feel have presented an atmosphere which has been neither helpful nor productive to this process.

We accept the premise that there is a rental unit shortage in the province and that new starts have consistently dropped off, leaving the vast majority of stock old and over time in need of major improvements. We feel to effectively deal with and hopefully resolve these difficulties, the government, tenants and property owners must work together, co-operatively and in a spirit of compromise, if it is the desire of all parties to come up with a long-term solution to a difficult problem. Setting an adversarial tone between us and polarizing us into warring camps, in our view, is not in the interests of this province or its residents. If it is the intention of all participants to work out solutions that reflect the input of all constituencies so that the housing problem in this province can be improved, then perhaps political concerns should be set aside in the interests of working out solutions. We can recognize the grave dilemma facing this committee. How does this committee balance the needs and rights of the tenants and the needs and rights of property owners? But we feel strongly that in order to begin resolving a very difficult problem, all parties must be active participants and all views respected.

Bringing about financial ruination retroactively upon many hardworking citizens of this province by changing the rules of law in midstream does not encourage a harmonious working relationship with property owners of the province or the related construction trades, suppliers or in fact the business community as a whole. The resolution of these and other questions can be resolved to everyone's satisfaction in the spirit of a fair and reasonable approach. It is not in the interests of this province or the people of this province for any segment of society, tenants or landlords, to be treated unfairly or in an unjust manner.

At this time I would like to call upon Steve Malcho to give us the northern perspective.

Mr Malcho: Over the last 20-some-odd years, Sudbury has gone through significant changes, not the least of which has been to move from being a one-industry town to a diversified, multifaceted centre serving the needs of northeastern Ontario. The change has not been swift and it has not been painless. In 1971 over 25,000 people, or more than 37% of the workforce, were employed in the mining industry, compared to a little less than 11,000, or 14%, today. The implications to the owners of rental property in Sudbury as a result of the reduced workforce were devastating, and where some aspects of the local economy were able to quickly adapt, the rental property market was not. Why? Very simple: rent controls.

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The enactment of rent controls in 1975 as a temporary measure and subsequent extensions and modifications by the provincial governments served to penalize an already suffering rental housing market. Landlords of buildings in Sudbury, which at that time were almost exclusively 20-unit buildings or less, found themselves with an abundance of vacant units and tenants without the resources to pay their rent. These were tough times for the people of Sudbury, and landlords suffered along with the masses. With little recourse but to reduce the tenants' rent to stave off economic ruin, the landlords were placing themselves in a position where future years' rent increases would be based on these discounted rents. Still today it is commonplace for rent review orders dating back to the late 1970s and early 1980s to be affecting registered rents and current applications, reducing already low rents further still.

The reality of the residential rental market in Ontario is that landlords and their rental units are not homogeneous across the province, let alone within the confines of a single city. To illustrate the wide variances that exist in the province, consider these statistics compiled by CHMC:

1. The average rental of a one-bedroom apartment in Kitchener is \$439, in Ottawa \$509, Toronto \$559 and here in Sudbury \$399. Sudbury landlords receive \$160, or 28%, less than comparable units in Toronto.

2. The average rental of a two-bedroom apartment in Kitchener, \$517, Ottawa \$640, Toronto \$689, here in Sudbury only \$489. Once again, landlords in Sudbury are receiving the short end of the stick with a monthly rental of \$200 less than a two-bedroom in Toronto.

There are several reasons why such a variance exists in the province, the least of which is supply and demand. If vacancy rates were the sole dictating force behind rental rates, then Sudbury would not have the lowest monthly rental rate of any major centre in the province. Our combined vacancy rate for public and privately initiated rental accommodation here in Sudbury is 0.4%; 0.7% is the privately initiated, the 0.7% that was discussed earlier. Only two other cities in Canada, Ottawa and Victoria, BC, have lower vacancy rates than Sudbury, yet our two-bedroom apartments rent for an average of \$200 per month less.

If rental rates were determined based on some derivative of the operating costs, would Sudbury's two-bedroom

apartments rent for \$200 less per month? Certainly not. The average annual temperature in Toronto is seven to 10 degrees warmer than in Sudbury, which translates into much higher heating costs for us up here. As for municipal taxes, another big-ticket operating cost, Sudbury is not cheap. As a rent review consultant, I have made application to rent review on a 362-unit complex that saw in excess of a 71% increase in its municipal taxes between 1989 and 1990. The landlord now pays more than \$1,430 per unit in taxes and 31% of his units are bachelor apartments. Single-family dwellings in this province, with market values twice that of these individual apartment units, are paying less than this in municipal taxes.

Landlords in the Sudbury region are predominantly hardworking individuals who operate with no hidden motives. They take pride in their buildings and provide their tenants with the highest level of maintenance possible while asking for nothing but fair treatment from their tenants vis-à-vis the legislation of the province of Ontario. Canada Mortgage and Housing Corp's rental market report for Sudbury dated October 1990 provides unbiased third-party confirmation of the overall fairness of this city's landlords. Between 1987 and 1990, when the provincial guideline increase without application to rent review ranged from a high of 5.2% to a low of 4.6%, the landlords of Sudbury on average took only a 6.3% increase on their one-bedroom units and a 4% increase on their two-bedroom units. Lose the notion of landlords being money-hungry, rent-gouging predators seeking out tenants to provide them with lavish lifestyles. That breed is not common.

It is clear regional differences go well beyond rental rates and that inequalities exist and will continue to exist in this province. But the complexity and the difficulties of the residential rental market in Ontario are not going to be solved by Bill 4. This legislation, with its retroactivity, is grossly unfair to a significant sector of this province's citizens, the landlords. We encourage changes to the Residential Rent Regulation Act, but not in a manner that brings about financial ruin to many of the landlords. The retroactive penalization of landlords who, in good faith, made business decisions concerning their rental properties is an obscene attempt by the current government to correct the legislative bunglings of their predecessors at the expense of the landlords of Ontario. This committee and the government of Ontario must not ignore the implications to the landlord of Bill 4.

Mr Hawkins: I would like to call upon Lynda Beavis, who is chair of our legal committee.

Mrs Beavis: In 1975 the Conservative government introduced an unusual intrusion into the forces of the free market with the introduction of rent control legislation. Under successive governments, the legislation is still badly flawed. However, it is important to note that the 1985 amendments resulted from compromise through intensive consultation between landlords and tenants who worked together extensively to produce the result. While not perfect, the consultative process and resulting compromises formed the framework of the current Residential Rent

Regulation Act, 1986, the framework within which landlords and tenants have been working for the past few years.

It is now important to note the proposed amendments to the current legislation have been made with no consultation with landlords whatsoever. The proposed legislative changes, if enacted as law, pose the question, do landlords as a group have rights as opposed to obligations? Whenever a landlord-tenant situation arises, it is always set out as tenants the oppressed and landlords as the oppressors, the tenants having rights, the landlords obligations. Do landlords as a group, as citizens, as people, as taxpayers, as voters, have rights? Do they have the right to know the rules of the game and the right to be treated fairly and the right to be protected under the law?

In its present form, Bill 4 purports to wipe out retroactively legal and equitable rights which have been accrued to property owners under existing legislation. In its existing form, Bill 4 is open to challenge, both constitutionally and under the Charter of Rights. The fundamental question is, does the retroactive provision in the legislation infringe on the rights of landlords as citizens, as people, as taxpayers, as Canadians, as voters?

It is our position that the proposed legislation discriminates against responsible landlords. It is unfair, it is punitive and contrary to the government's statement of being fair and just. The essence of the proposed legislation is discriminatory, as it eliminates cost recovery of capital cost projects, it voids existing orders, it stays phase-in orders and it prevents landlords from recovering the full cost of normal, non-discretionary operating costs.

The conclusion is that unless the fundamental question is first determined by the courts, the government should seriously consider not making this law but introduce a transition period so the government could legitimately follow its goals of protecting tenants.

In our opinion, it is unfair to penalize landlords for problems they did not create. Virtually overnight, some landlords and property owners found themselves in or on the brink of financial ruin. Landlords and property owners must have a chance, they must have time to regulate their affairs. Our position is that there should be a commercially reasonable period of time to make changes and to get their affairs in order. If a single landlord in the province of Ontario is forced into financial hardship or bankruptcy as a result of this moratorium, the social contract between the citizens and their government will be broken. The result will be many challenges under the Constitution and under the Charter of Rights by landlords and property owners as citizens, as taxpayers, as voters and as Canadians.

Currently there is a trend developing with landlords and experts in the field that if this legislation is passed into law, it will be very closely scrutinized and subject to judicial challenge.

A spirit of consultation and co-operation is our first choice. We urge this committee to hear our concerns and urge you to remove the unjust retroactive features of this legislation. Failure to do so will lead to confrontation and litigation.

Mr Hawkins: I would like to ask Bill Snow to comment on issues and our recommendations with respect to Bill 4.

Mr Snow: I am previously from rent review services and was a rent review assistant for over two years. I am currently a rent review consultant working solely for landlords in the Sudbury area. I have chosen this avenue after employment with the ministry for two reasons. One is because of my interest in the field and the other is to help landlords through a difficult task of operating revenue property. Since beginning my venture, I have had 29 old-building reviews brought forth to rent review for increases above the guideline amount. All buildings I have worked on are directly affected by Bill 4.

There are three situations that the bill affects. Mainly, these situations deal with the retroactivity of the bill.

First, I have clients who have done capital work to their complexes based on the current legislation. Some have borrowed funds based on the revenues that would be obtained via a rent review application. Landlords based the decision to do capital work on the legislation that was in place at the time, so many of my clients have extended their personal line of credit for a long period of time, believing that the money spent today will hopefully pay for tomorrow.

Second, I have clients who recently purchased buildings. They have based the purchase price according to revenues that could be obtained by making an application to the ministry. Now, with Bill 4, they can no longer increase the rents to relieve them from a financial-loss position. May I remind you that it is very difficult to properly maintain a building if there are no funds available to do repairs.

Third, I have clients who have gone through the process in the past and have been allowed an increase for financial loss. These clients were given phase-ins and now have been denied any further increases which were given so they may get out of their loss position. I have one client who loses \$3,800 per year now. Is he to remain in this loss position and still maintain the rental unit in a good state of repair?

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These are the concerns of most landlords. These are the concerns which can be rectified by fair and just changes to Bill 4. I would like to inform you of the proposed changes in the bill we would like to see.

First is the retroactivity of the legislation. There are three areas of concern. First, capital expenditures: The landlords who have started or completed capital work to their buildings before 28 November 1990 should be allowed to make application under section 74 or 86 of the RRRA. The treatment of such applications should be regulated in the same manner as capital expenditure changes of 23 April 1990. With these 23 April changes, any capital expenditures with a start date before 23 April applied the previous regulations while any capital expenditures started after applied the new regulations. We are of the opinion that similar treatment should be considered with Bill 4. Therefore, any capital expenditures done before 28 November 1990 should be treated by the current legislation

and any capital work started after would be treated under the new Bill 4.

The next area of concern is the existing orders. According to Bill 4, orders issued before 1 October 1990 will remain in effect except for provisions for phasing in the amount of increase determined for financial loss, relief from hardship and economic loss. Such losses are eliminated over a period of time by phasing in the amount of the loss. According to the proposed Bill 4, all phase-ins will stop. Where the ministry understands fully that the landlord is in a loss and has indicated so in an order, the landlord will not be able to increase the rents according to what was determined and allowed in a prior order. In these situations, phase-ins should be continued.

Next is the orders as of 1 October 1990. Orders issued on or after 1 October 1990 will be reordered, adapting the new Bill 4. We are of the opinion that these increases have been allowed by the current legislation in place at the time and should remain.

Last is financial-loss applications. Section 79 of the RRRA allows for any rent increase above the guideline amount for findings concerning increases in financing resulting from the landlord's purchase of a residential complex. Many landlords have purchased buildings recently, based on the current legislation. Therefore, we believe these people should be able to make application based on the RRRA, 1986. Certain regulations can be formed, such as, buildings purchased prior to 28 November may make application.

The Chair: You have two minutes max.

Mr Hawkins: Okay. The ramifications of Bill 4 are indeed very serious. In summary, the government and committee would aid in avoiding a major crisis by eliminating the retroactivity of the legislation, allowing orders to stand if deemed necessary to protect tenants, capping increases and spreading out increases to avoid overly high rents. After grandfathering the legislation, freeze activity, if necessary, as of 28 November 1990 in order to begin an extensive consultation process with all sectors involved in providing housing directly or indirectly, with the aspiration of developing a long-term housing program which will be fair and reasonable for all.

I would like to ask the president of the Sudbury Home Builders Association to make some comments.

Mr Faggioni: Good morning. My name is Peter Faggioni.

Mr Hawkins: He is going to speak very fast.

Mr Faggioni: The Sudbury Home Builders Association represents some 80 companies involved in this city's residential construction industry. Our members comprise all aspects of the home-building sector, including builders, developers, renovators, landlords, trade contractors, material suppliers and other professionals.

The housing market is affected negatively by Bill 4. In the past, our market relied on renters to upgrade their living conditions. Simply, as a renter's income increased, he would want to seek higher-priced housing, either through rental or ownership. As rents increased, in a properly functioning market, our system, there existed a direct relationship

between apartments and single-family homes. If the tenants will not have the incentive to purchase a home, our sales will be greatly reduced. First-time home buyers will not want to buy a home, either new or old, and the buyers who want to buy a new home cannot afford it. As a result, they cannot sell their existing home.

Rent controls in Bill 4 are a disincentive to move up. Therefore, a smaller percentage of existing renters' incomes will in fact be spent on their housing costs. The standing committee has already heard that 43% of tenants pay less than 20% of their total income towards their rental cost. More than three quarters of those tenants earning more than \$45,000 per year spend less than 20% of their income on rent. As one developer has put it: "We've got plenty of low-income housing. We've just got upper-income people living in it."

Bill 4 will not only affect the families who really are in desperate need of apartments, but it will take away the incentive for renters to better their housing requirements. The housing industry is in a major slump today due to a bleak economic picture and it seems when you turn for help another blow follows suit.

Renovators and subcontractors are very seriously affected by Bill 4. In northern Ontario, where the winters are harsh, many builders and renovators rely on renovating apartment buildings to keep some key employees working over the winter months. Many renovators work strictly for apartment building owners. Due to Bill 4, landlords will not perform capital expenditures; therefore, our qualified renovators will be out of work and perhaps may have to close their doors due to lack of work.

Here in the Sudbury area, the day after the legislation was announced, landlords who had committed to capital expenditures or were preparing to do so shelved their plans indefinitely. To mention a few renovators and trades that will be affected adversely by Bill 4, there are: architects, draftspersons, landscapers, pavers, masons, carpenters, roofers, drywallers, insulators, painters, electricians, plumbers, decorators and flooring installers, the manufacturers of carpeting, lumber, drywall, plumbing equipment, insulation, cupboards, roofing material, windows, appliances, furnishings, electrical equipment, doors, the asphalt industry, concrete industries, paint manufacturers, and the list goes on. Should all the above be remotely affected, tens of thousands of Ontarians will be out of work. Tens of thousands of voters who are strongly counting on the present government will be looking to the government for answers, help and guidance.

In conclusion, Ontario has a serious housing crisis which must be addressed too, immediately. Rather than creating a battlefront between the business of Ontario and the government of Ontario, let's work on a permanent solution which will not be opposed to private industry or jeopardize the serenity of paying tenants. Let's work on a permanent solution that will in fact help the Ontarians who sincerely need crisis housing.

We, as the people of this great province, cannot discourage foreign investment, discourage our provincial business leaders or divert our business focus. We must reassure ourselves that it is well worth doing business in

this province. Let's assure the business community that Ontario is still and always will be a growth-oriented province. Through industry and free enterprise comes employment, consumer confidence and growth. Let's abolish Bill 4 and work on an equitable equation that will hopefully benefit our whole province and permanently solve our housing crisis.

The Sudbury Home Builders Association appreciates the opportunity to present our views on this most important subject.

The Chair: We are each going to have six minutes for questions. We have Mr Owens and Ms Harrington and we are going to have six minutes per party.

Mr Owens: My question is to Mr Faggioni. Perhaps it is because I am a politician that I do not understand how the connection is made between the passage of Bill 4 and the shattering of the home-building industry.

Mr Brown: We understand. Some politicians understand.

Mr Mahoney: Speak for yourself.

Mr Owens: My understanding is that the high interest rate policies of our Conservative cousins across the table here at the federal level, as well as the speculators being in the housing market, have caused people to be unable to afford houses, whether new or old, rather than this recent introduction of Bill 4. Could you explain how you came about developing this kind of rationale for not supporting the bill?

Mr Faggioni: Simply, we are not only opposed to Bill 4, we are opposed to the high interest rates and the rest of the issues that go along with housing requirements. Bill 4 is one more obstacle that will create a disincentive for renters to purchase a new home, so along with all the other economic factors that fall into play, it is just one more obstacle that we are trying to lobby and abolish.

Mr Owens: The opposition has stated that as a result of Bill 4, much-needed repairs will not be done and as a result the health and safety of tenants is in danger. I wonder if it is the feeling of your association that repairs should be done in a prudent and forthwith manner, as opposed to waiting until the repairs are at a point that if they are not done, they will endanger the health and safety of your tenants.

Mr Hawkins: I said I was going to pass all the hard questions over to my colleagues, but they want me to try and tackle this one. I think that, in fairness, the situation in northern Ontario is quite different perhaps from Metro Toronto's situation, because approximately 1,000 landlords are in this area and most of them are in low-rise type of accommodation. They may be in duplexes, triplexes—you understand where I am coming from—and in fact most of our members do want to do repairs and maintenance on a regular basis to protect their investment. But, my friend, when you have an \$8,000 or \$9,000 loss on your building per year, where does the money come from? Do you understand what I am saying? It is not that you do not want to do the repairs and maintenance, you do. You do want to, because it is stupid not to, you are going to lose your

investment, and for many of our people, that investment is the security and pension for their future.

Mr Owens: How is this loss coming about, for instance, the \$9,000 losses that you are talking about?

Mr Hawkins: A lot of it could be due to the high interest rate factor when people have purchased buildings. It could be caused by capital improvements. A lot of the losses that are occurring now are due to Bill 4; because of retroactivity the rules have changed. I do not know of any landlord in our organization, and we represent thousands of units in this area, who is not concerned about repairs and maintenance, but they have got to have the money to be able to do it.

Ms Harrington: I understand that your group is a fairly new group of landlords organized here in Sudbury.

Mr Hawkins: Actually, the group existed in 1975 and then it kind of petered out for a while and I would like to thank the government for allowing us, through Bill 4, to resurrect the organization, which is growing daily.

Ms Harrington: As an organization, I would like you to be involved in the ongoing formulation of a rent control system that is going to be fair for everybody.

Mr Hawkins: I would like the government to recognize that, and I hope that we came across that way. In all sincerity, we have watched the hearings and we have tried to present a moderate, compromising approach to a difficult problem.

Ms Harrington: You have made a very substantial presentation and you have made your position very clear, and I thank you for your suggestions. I wanted to ask you, personally, you own a building?

Mr Hawkins: I own two nine-unit blocks. My brother and I used all of our equity, money, investments, RRSPs, everything, to purchase these blocks.

Ms Harrington: In the last, say, three years, how much increase have your tenants been paying as a percentage?

Mr Hawkins: We had an outstanding order, ma'am, and because of the financial-loss situation—we purchased the buildings in March. We spent a fair amount of capital to find out what we could do if the buildings were in a loss situation because of mortgaging costs, and at that time our experts told us that we could apply to at least break even. We have a fair amount of capital improvements which we wanted to do over a five-year plan to help in terms of window-changing and what have you, but we are stuck.

Ms Harrington: I just wanted to know what percentage your tenants are paying.

Mr Hawkins: In rent?

Ms Harrington: Yes.

Mr Hawkins: Our average two-bedroom unit in New Sudbury, which is in an upper area of town, is \$440 for a huge two-bedroom unit.

Ms Harrington: What has their increase in percentage been in the last three years?

Mr Hawkins: Because of the order in 1 July, there was 11%.

Ms Harrington: And for how many years are they going to pay—

The Chair: Thank you.

Mr Brown: Welcome to the committee. Being the only northern MPP here, I am certainly pleased to see you.

Mr Mahoney: I was born in northern Ontario.

Mr Brown: Actually, my two Liberal colleagues were both born in the north.

Ms Poole: This is a northern contingent.

Mr Brown: Sorry I opened the subject, Mr Chair.

The Chair: Just in case anybody is interested, I am from Essex county.

Mr Owens: Where is that?

The Chair: The government knows where that is at.

Mr Brown: Getting back to where I was starting, you are aware that the government has said that this bill is a reaction to the abuses of the former rent review situation that existed, as you pointed out in your brief, of legislation that was created in 1986 as a result of a consultation between landlords' and tenants' groups. You also recognize that the abuse they are talking about is that 5.8% was the average rental increase in the province of Ontario last year. This is the abuse. You also realize that the luxury renovation problem that they like to talk about, which so far we have barely been able to find out exists, was also addressed last spring by the former Minister of Housing by a regulation which stopped that particular difficulty. So I guess, like me, you are probably confused about why we need this draconian legislation in order to stall a problem we are busily trying to find.

You would also know that yesterday this committee was charged by a group of people who wanted to be heard because 150 presenters have been denied the ability to come before this committee because the government has refused to give this committee more time, and you would also be aware that this is the shortest period of consultation on any rent review legislation in the history of this province.

Mr Hawkins: I would like to make one comment very quickly and then I will pass it over to Lynda, who is just chomping at the bit to jump in here. What has confused us is that we were pleased that a committee was given a mandate to start a consultation throughout the province regarding housing and we certainly feel that the government was taking a step in the right direction, but now we understand that the minister is coming around and we are going to go at it again, and I guess maybe your committee is going to come around again and we are going to go around again, and I do not know how many times we are going to do this before we can sit down with tenants and landlords and the government and say, "Okay, we've got a problem. If we recognize it as a problem, how can we reasonably address it and solve it?" This is what is confusing us, all of this, and we really do not know what the mandate of your committee is now with all of these other things going around.

Mr Brown: We share your confusion. Coming back—

Mr Hawkins: Lynda?

Mr Brown: Oh, sorry.

Mrs Beavis: Part of what you started out to say, Mr Brown, was that in this particular legislation the capital cost provisions that are being disallowed to landlords are not capital cost provisions for marble lobbies. You know, you take one thing and the press just blows it out of proportion, or the government feeds the press or whatever happens here, but what I am saying is that I represent landlords extensively in the legal area of the Landlord and Tenant Act and under the Residential Rent Regulation Act, and I see the opposite side. A lot of capital cost expenditures that landlords have to use their money for are renovations and repairs that are required as a result of tenants who have totally trashed buildings.

I will give you a perfect example, and this is not an uncommon example and anyone who wants to get a court order and look at my files can come and have a look at them: Last week I had a landlord who had to evict a tenant because the tenant was in arrears of rent for a huge two-bedroom apartment in Sudbury; \$292 a month was the rent. The tenant had refused to pay the rent for two months running. The tenant is on social assistance, so we are all paying for the \$292 a month, and in addition to that, the tenant moved out in the middle of the night and left the landlord with over \$4,000 in major repairs that have to be done to this particular unit. I have the pictures, and this is not an uncommon event.

I am not saying that all tenants are bad. By and large, the majority of tenants are good, and there is no question about that, but capital cost expenditures as a result of a repair that is necessary to rerent a unit—this unit cannot be rerented without at least a minimum of \$4,000. Where does the landlord get that money? Certainly not from the tenant. We have a court order against the tenant. It is not worth as much as that tablecloth. You cannot collect it.

What we are saying here is, the unfairness of this whole proposition that capital cost expenditures cannot—and by the way, capital cost expenditures were arrived at as a result of the government's understanding of what capital costs should be. Just recently, I might remind the committee, paint was removed as a capital cost expenditure instead of a normal maintenance cost. Certainly painting a unit every couple of years is not a capital cost expenditure; it is just routine maintenance. It is normal wear and tear. So some of these items that you were looking at in this retroactive legislation are poorly drafted, we have no argument with that. We would like to see some changes. Mr Brown, this is where you started. There are some incidents where these capital cost expenditures are directly resulting from tenants, not landlords who choose to spend their money in that direction. They have no choice, and now they have no recourse.

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Mr J. Wilson: On the capital cost expenditures, I guess one of the problems we were hearing down south anyway, that needs to be addressed—I will do it before the government does it—is that under the RRRRA you get an increase for capital cost expenditures and they are not sunsetted, then you get your percentage, and it is not sunsetted

at any point. Would you be able to live with, once you have amortized and paid for a major capital cost, that the rents then be lowered proportionally?

Mr Hawkins: As a matter of fact, Mr Wilson, I am very pleased you brought it up because in my conclusion we stated very clearly, trying to compromise with the government's position, that we agree that if a rent increase is exorbitant, cap it. Cap the rent increase and have a reasonable length of time, or what have you, to pay it off. We see that as a natural compromising position between the two alternatives.

Mr J. Wilson: We have been talking in our party about the democratization clause. It would force landlords and tenants to get together and to discuss major capital costs and projects prior to them being approved and to come to some sort of consensus. Would that work from your side of the equation?

Mr Hawkins: Sure, we do not have any problem with talking. We are small landlords, okay? We have to talk to our tenants on a regular basis and many of our tenants in our buildings are our friends. Certainly I talk to our people. I have tenants who have lived in our buildings who want to go on a waiting list and come back to our buildings. In northern Ontario we have to have a good rapport. It is small; we have to.

Mr J. Wilson: The other argument that is put forth by the government from time to time is that over the years when you were receiving rent increases a portion of that percentage granted was to be set aside for capital costs and maintenance and repairs. Do you have any comment on that?

Mr Malcho: I believe Matt Szalai or Dario Zulich mentioned in their presentation, for example, that on the \$400,000 or \$500,000 they spent on their building this scheme about putting away X number of dollars of the revenue would have taken them 41 years to be able to build up a fund large enough to provide for those repairs or their capital expenditures to be completed. It is an interesting idea, but I do not see that it is at all manageable, and this idea that it would go along with the building would also be of serious concern to the landlord.

Mr Hawkins: Another point I would like to mention: When we initially purchased these buildings we wanted to change all the windows in both buildings. The tenants pay their own heat. There is a fair amount of leakage. But we are in a financial loss situation and we are facing a major financial crisis between the two blocks. We had a five-year plan where we wanted to change all the windows, reduce the heating costs for our tenants and so on and so forth. We just do not have the money to do it. To set aside a capital fund to do that when you are in a loss situation is impossible.

Mr J. Wilson: Okay. Further, despite what Mr Owens may have suggested to the contrary, there has been ample evidence before this committee that there has been significant job losses as a result of the introduction of Bill 4. You have reiterated that today, but in general terms. Specifically, do you know how many people in the Sudbury area would have been affected?

Mr Faggioni: Right now we are accumulating statistics, which we will hopefully have completed within two months, to see how the impact directly affected the construction industry. That we are working on right now. We did not want to go and take statistics from down south. We want to concentrate on the Sudbury area particularly. We have suffered because of it already, but statistics-wise, in actual numbers, we do not have that ready yet.

Mr Hawkins: I can say that we know of a number of developments that have been shelved or put on hold, large developments, because of Bill 4, and other reasons, in fairness.

Mr Tilson: Mr Chairman?

The Chair: Thirty seconds.

Mr Tilson: Yes, just to clarify one item, Mr Hawkins, and that has to do with the retroactive aspect. I think you said you would support the bill being effective the date of the introduction of the bill. I hope that is not what you said because that is not our party's position. Our party believes that it should be at the date of proclamation because you will still be caught by the three-month notice period, which would put you back three months prior to 28 November, and it would, second, catch problems with phase-ins that were legally granted for what, five years, so I suggest you clarify that.

Mr Hawkins: Yes, I appreciate your expertise on this because I believe we have just resolved our position, that it should be the date of proclamation.

The Chair: Thank you very much. I want to thank all of you for coming today and making your presentation.

HOWARD CUSTOM BUILDERS LTD

The Chair: Howard Custom Builders Ltd. As I said earlier, we are going to follow the same procedure. We just need you to identify yourself and your organization for the record. You have 10 minutes for your oral presentation, followed by 10 minutes for questions.

Mrs Pask: We are pleased to have this opportunity to present this brief on behalf of our company, Howard Custom Builders Ltd, of which I am president and my daughter, Ellen Tambeau, is secretary-treasurer.

The Chair: Order, we have to give every presenter the opportunity of being heard, and if we are going to have private conversations we have to do it in the hallway. Please continue.

Mrs Pask: We are landlords of a town house project in the small northern town of New Liskeard, with a population of approximately 5,500 people.

In 1975, we built 12 town house units under the CMHC limited dividend program. The rents were geared to moderate- and low-income families. Due to the CMHC regulations and rent review controls, our rental income for the past 15 years has barely covered our basic expenses.

Mr Clark, the building inspector of the town of New Liskeard, noted structural problems and requested that we hire a structural engineer to assess the building, at a cost to us of \$1,000. H. Sutcliffe Ltd's engineer's report indicated structural deficiencies. In order to comply with the report,

we talked to contractors, tenants, CMHC and rent review services, trying to make the best decision possible for our tenants and our company.

We submitted our application to rent review on 19 July 1990, requesting a rent increase of 12.9% over and above the guidelines of 4.6% to commence 1 November 1990. This is the first time we have asked for an increase above the guidelines. The capital costs included the structural repairs, replacement of deteriorated patio doors and the upgrading of attic insulation and ventilation. The work was planned over a two-year period in order to keep the rental increases as low as possible. Today, I find myself in the position of having signed legally binding contracts for a total of \$60,000, one half of which were completed and paid for by 1 November 1990 and the rest contracted for 1991. Additionally, we replaced four complete wood decks which were not included in our application.

In 1990, the three-bedroom, two-storey town house units rented for \$441 per month. The year's taxes were \$15,815 or \$110 per month, the mortgage payments \$140, leaving \$191 to cover building, liability and boiler insurances, plus cable TV, garbage and snow removal, painting, audit, office, hydro, repairs and maintenance. The guideline increases each year have not allowed extra funds to be set aside for the required upgrading or major repairs.

We strongly object to capital cost retroactivity, proposed in part VI-A, section 100n. We followed the government's process of application in good faith. We certainly would not have signed contracts for a two-year period had it not been indicated we would qualify for the increase requested. We have little control over our business due to government promises and changing rules. We object to the restrictions in Bill 4. In the long term, it will create an overall decline of the rental housing market. Tenants will have deteriorating buildings, repairs patched and not fixed, minimum maintenance and unsympathetic landlords. Neighbourhoods will be downgraded and slums created. No investor will build rental housing, leading to rental shortages. Workers in construction will lose jobs. Suppliers will suffer at a time when government should be concentrating on job creation. Businesses and landlords will go bankrupt. Government will lose corporation taxes. Municipalities will lose tax dollars.

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We are not surprised that the tenants are embracing rent control. In the short term, they enjoy the benefit of affordable housing while the landlord is restricted by government interference. Any tenant has the option to move out of a unit, but the landlord is stuck with few options, including a depressed resale market.

We recommend that all applications stamped before the NDP freeze be processed under the previous regulations. Priority should be given to those applications with signed contracts for work. Any newly elected government should morally honour the existing laws and allow a transitional period before enacting new legislation.

We recommend that individualized consideration be made for small landlords of 40 units or less. Small landlords cannot be compared to multi-unit management companies. Small landlords have less revenue, more personal

contact and invest more personal time and energy. Do not punish the 99% of the landlords of Ontario for the unscrupulous 1% or less who might have abused the system.

We recommend that the rent control increase for major structural repairs be limited to 15% over the guidelines per application.

Should a reserve fund be required, we recommend that an increased percentage over basic rent guidelines be allowed.

Prior to the introduction of Bill 4, we experienced a cordial, co-operative relationship with our tenants. They expressed appreciation for the size, location and low rent of the units. Their concerns of excess hydro costs and draughty patio doors led to the capital cost expenditures. A turnover rate of less than 50% in the last five years indicates an amicable relationship. Within the last three months, both financial and emotional hostility has developed between landlord and tenants. Any further delay in rescinding Bill 4 will create a back charge of rent not collected, a hardship for tenants and landlords.

In conclusion, we urge you to reconsider the implementation of Bill 4. The retroactivity clause must be deleted and the entire rent control system be re-evaluated. The government should subsidize the low-income tenant, but not force the landlord to do so. The right of the landlord must be considered equal to the right of the tenants. Thank you.

The Chair: Thank you. Anything further to add before we have questions?

Mrs Pask: Oh, I just had one little personal remark.

The Chair: Certainly, please go ahead.

Mrs Pask: These units were built 15 years ago as a pension plan of a small construction company. For all these years we have tried to be caring, honest landlords and to keep our rental units in the best condition funds would allow. Now I am retired and our so-called pension plan has become a worrisome, stressful, money-juggling, government-interfering nightmare.

Mr Mahoney: Mrs Pask, I would like to thank you and your daughter for travelling this distance today to come to this committee. We appreciate you taking the time to do that and the details that you have provided us with. I think your analysis, on page 2, of the three-bedroom, two-storey town house unit at \$441 and the expenses—there is certainly not an unreasonable mortgage payment. The units are not heavily indebted so as to require additional rents. I think that is obvious, and it is obvious that it leaves a minimal amount. In fact, I do not know how you do it. Perhaps you have opportunities for local labour to do some of the snow removal or something to save you some money, but to run the whole thing on \$191 is quite remarkable. Could you give the committee some indication as to what your increases have been, on average, over, say, the last four years, on a percentage basis?

Mrs Pask: It has been whatever the rent controls would allow us, the 4.6% or whatever.

Mr Mahoney: So you have never gone above the guidelines.

Mrs Pask: No, I have never gone above the guidelines.

Mr Mahoney: That was your first experience.

Mrs Pask: My first application, yes.

Mr Mahoney: Is there much of a vacancy rate in your area?

Mrs Pask: No, not really. Nobody wants to move out because of the low rents that I am charging.

Mr Mahoney: Yes. Travelling around the province, we have come to realize—some of us suspected it or knew it—that there is a substantial difference when you get out of the city of Toronto. You might have seen some of our hearings on television and they, of course, were Toronto people coming in with some pretty unbelievable horror stories of infested apartment units and holes in walls and terrible deterioration. Do you set aside a portion of your revenue from the rents for ongoing maintenance as opposed to capital repairs?

Mrs Pask: No, because I have not had the money to do so in that project.

Mr Mahoney: So what do you do when you have a plumbing problem in one of the units?

Mrs Pask: I just happen to have an apartment building of 18 units next to it and I am getting enough income from that that it sort of balances out the two projects. Otherwise I would really be in trouble with this one.

Mr Mahoney: In other words, you do your ongoing maintenance. We are not talking about capital work here.

Mrs Pask: Yes.

Mr Mahoney: You do your ongoing maintenance out of the total revenue of your company regardless of where that revenue comes from.

Mrs Pask: That is right.

Mr Mahoney: You do not go to your tenants seeking additional rent increases because you have to fix the plumbing or an appliance or something of that nature.

Mrs Pask: No.

Mr Mahoney: I just had a thought. First of all, I agree with you totally. I am totally, and our party is certainly totally, opposed to the retroactivity and the unfairness of it. Frankly, I believe that this government, if it proceeds as stubbornly as it is doing so far, will find itself in a very serious court challenge. I can see that happening. But if we are unable to get the government to agree to eliminate the retroactivity, whether it is 28 November or whatever that date is, governments in the past have always looked at northern Ontario with a different view, due to increased costs that northerners face. Drivers' licence renewals, stickers, those kinds of things, are less expensive. What would you think of an exemption for northern Ontario from Bill 4?

Mrs Pask: Oh, I think that would be an excellent idea because our costs are higher up here. Our hydro is higher. Our taxes, I think, are high. Just living in northern Ontario is more expensive than down south.

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Mr Tilson: Thank you very much, Mrs Pask. The comments that you have made I think summarize what our

party has been concerned with, and that has to do with the effect that Bill 4 is having on job losses, bankruptcies, loss of homes because of people who are putting mortgages on their own homes to put into the apartments that they are putting capital expenditures on, lowering of quality of life of the tenants because of capital expenditures not being put forward, and contracts of suppliers being cancelled and the effect that that has on the economy.

I suppose my real question goes to you with respect to the capital expenditure issue. With respect to Bill 4, and we will probably be back next week on a whole different set of issues, but dealing with respect to Bill 4 and this moratorium period that the government has set aside, the government is saying that the capital expenditures that you make should be taken out of the money that you have been literally hoarding over the years, and out of the 4.6% and 5.4% increases that are allowed during this two-year period. That is what they are saying.

I would like to repeat to you a brief section out of the Financial Post of 8 February, a comment which deals somewhat with what you were talking about. This comment is:

"The reality is average rents have barely kept up with inflation. In 1990, five of six Ontario tenants paid rent increase of less than 5% while just 84 of the province's 1.2 million apartments faced increases of 100% and above.

"Landlords should be able to pay for major repairs, such as replacing a roof, out of rents. With the average monthly rent in Ontario hovering around \$748—which of course is more than what it is here—"and about 40% of operating costs going towards municipal taxes and another 30% to utilities, this is not feasible. What maintenance allowance is left—just pennies on the dollar—is used for ongoing work like janitorial services and minor appliance repairs."

I guess I am looking as to, during the two-year moratorium, specifically Bill 4, what do you think that will do to the buildings and the quality of life for the tenants in northern Ontario?

Mrs Pask: Well, I am sure no landlord is going to be anxious to make it more comfortable for the—I am just thinking about myself. I am certainly not going to do any more than I have to, because I do not have the money and it does not look as if I am going to get it.

Mr Abel: I just have a couple of questions. On page 2 you are outlining your expenses. You started saying that the year's taxes were \$15,815, or \$110 per month. My quick mathematics shows that \$110 per month only comes to \$1,320, so I take it that is per unit. Is that correct?

Mrs Pask: Per unit, yes.

Mr Abel: So that means we are looking at about 12 units here.

Mrs Pask: That is right.

Mr Abel: So when you say that you only have \$191 to cover building liability, etc, that is \$191 per unit. So we are not looking at \$191, in fact we are looking at \$191 per unit.

Mrs Pask: That is right.

Mr Abel: Okay, I wanted to make that clear.

Mrs Pask: Oh, sorry.

Mr Abel: There were some comments by Mr Mahoney there that led us to believe that that is all you had for the whole month to cover expenses.

Mrs Pask: Oh, I see. Sorry.

Mr Abel: Also, near the end of your presentation you were saying that 99% of the landlords should not be penalized for 1% or less. I am curious, where did you get that information, those facts?

Mrs Pask: I think it was out of the Toronto Star. It was in one of the Toronto papers.

Mr Abel: And they claim that 99% of the landlords are the good guys?

Mrs Pask: That is right. Well, it said less than 1%.

Mr Abel: That was from the Toronto Star.

Mrs Pask: I believe a Toronto paper. It was from a Toronto paper.

Mr Abel: Okay, I will pass to my colleagues.

Mr Mammoliti: Just a point of clarification here. On page 2 you also mention that capital costs included the structural repairs, which included patio doors and insulation and ventilation. Is that all you did? It says "included." Is there more work that was done?

Mrs Pask: Yes, I mentioned that we had to replace some wood decks. We have wooden balconies, and we had to replace some that we had not planned to when I had put them in the application.

Mr Mammoliti: Did you communicate with the tenants and ask them if they wanted this work completed?

Mrs Pask: They had many times complained about the patio doors. When the building inspector did his inspection, he had written down on a report that the doors were warped and should be replaced, and the insulation was of a 1975 standard, and being electric heat, that they should be brought up to a 1990 standard.

Mr Mammoliti: So they were aware of the work?

Mrs Pask: Yes, certainly.

Ms Harrington: I wanted to let you know that under Bill 4 there is a pass-through for operating in five different categories, and that is above the 5.4% increase granted this year. So if there are extraordinary costs with regard to, say, the taxes or other utilities, then that can go on top of the 5.4%.

Mrs Pask: Yes, I understand that, but I am more concerned about my capital expenditures. I was more concerned about that right now because I have this extra \$30,000 contracted. I have signed legal contracts for 1991.

Ms Harrington: Oh, yes.

Mrs Pask: So I am \$60,000 that I am not sure I am going to be getting paid back on.

Ms Harrington: The one thing that we are stopping is the pass-through for losses in financing. I do want to let you know that we do want landlords like yourself to make a fair profit, and we are trying to get a new system in place

which will balance the needs of landlords and tenants in this province.

The Chair: I want to thank both of you for your presentations.

JAMES MAURO

The Chair: The next presenter is James Mauro, who has come in from Thunder Bay. Mr Mauro, the floor is yours.

Mr Mauro: I come from northern northern Ontario. My brief is very short because obviously you are going to be hearing basically the same sentiments that have been echoed throughout the province. But I want to beg the indulgence of this committee, after I have finished this report, to allow me just to step outside for a moment of the frame of reference, to an item which basically dovetails with some of the concerns that have been mentioned here today. I am not asking for any more time, but if you will allow me my time for it.

Basically, attached to this brief are the signatures of landlords in the city of Thunder Bay who are opposed to the possible implementation of Bill 4. We are sure the standing committee has heard many reasons why Bill 4 should not proceed, and quite possibly the same complaints are being echoed in the cities where these hearings are being held.

It is probably safe to say that many or all landlords will hold back on capital improvements if there is no avenue open to them to recover these costs. Some tradesmen will not be working, carpeting will not be sold, replacing of appliances will be put on hold, and the list will go on and on.

If the reason for increasing the 1991 allowable to 5.4% from the 1990 allowable of 4.6% is to implement Bill 4, then consideration should be given to leave the 1991 increase the same as 1990 and allow landlords the avenue of appeal to recover capital expenditures and other above-normal costs.

Just what does it mean by going from 4.6% to 5.4% on an apartment that rents for \$400? This would give the landlord an extra \$40 a year. An apartment that rents for \$600 would give the landlord an additional \$57 a year. While there is a two-year moratorium, even in 10 years \$570 would probably not cover the cost of painting a two-bedroom apartment.

At a recent council meeting in Thunder Bay it was stated that the Thunder Bay District Housing Authority has 1,377 households on its waiting list for non-profit housing, with 790 of these families in desperate need. Thunder Bay District Housing Authority has over 700 units that it subsidizes in apartment buildings in Thunder Bay. These figures are to show the desperate need for rental accommodation in Thunder Bay.

Bill 4 will do nothing to encourage the construction of residential rental accommodation. A positive factor of 0.8% increase over 1990 does not compensate for all the negatives that will come about as the result of Bill 4.

Attached to this is a petition by some of the landlords, not all of them, I could have got more, but they represent some major apartment owners there. As far as Bill 4 is

concerned for myself, it does not affect me personally from a capital cost point of view. My building is seven years old. Basically, it is still in good shape.

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Again, I can get into the retroactivity. Basically, you have heard it all before. But I would like to take a little time to step outside, because as of last fall, the Honourable Lyn McLeod had set up a meeting between you and I—I do not know if you recall that or not—when you were Minister of Revenue, I believe. Again, if you gentlemen want to take out the other brief that is in there, we hear talk about rents, etc, I think, and a factor that is going to probably come up in the House some time this year, and if some of you are aware of it, all well and good, and if you are not, you should be aware of it, another big impact on apartments in this—I do not know about all of the province, but at least in the city of Thunder Bay—is the class factor. And that class factor is creating—it is devastating what is happening.

If you want to look on illustration 1, just to give you an example of what is happening with the class structure in Thunder Bay, down at the bottom, the first building is my apartment block, which shows in 1966 what my taxes were per unit and then up to 1990. I have in my possession Teela books on most of the major comparable cities to Thunder Bay, and I have yet, I think, to find an apartment—and I am talking Burlington, Oshawa, whatever—that pays as much per unit as I do. My taxes are \$1,924 a unit, and right below that, and next door to me, within 100 feet, is a sixplex. This is where this class factor comes into business, and it can show you how devastating it is.

That gentleman in 1986 paid \$530. Today he pays \$835. The difference between him and I, per unit, is \$1,089 of taxes per unit per year. Now if you want to equate that to this market value, that works out where my building actually is being shortchanged right now by about \$138,000 in market value. Should I be in the same class as him? I am losing. He is gaining \$1,089 a month for his six units for the last four, five, six years. It goes into his pocket. Mine goes down to city hall.

So this is a problem that I think is going to come up in the House some time this year that you people, if you are not aware of it, should be aware of because it is devastating.

You talk about rent control? I will tell you what the Premier of this province can do, and I have the backing of pretty near all the apartment owners in Thunder Bay. Put us in the same class as all residential accommodation. That is all in the briefs there. I do not want to go over the whole thing, but I would really beg of you to read what is in that at your leisure. Put all residential accommodation in the same class back home and you could freeze our rents for two years. You do not have to raise our rents, just treat me the same as everybody else. You can freeze my rents for two years, freeze everybody's rents for two years. You might get a complaint from the guy in the sixplex, the guy in the fourplex, the guy in the triplex; he has had a free ride for the last six, seven years. We basically have been paying his load really, and that is just part of it, but I think you should be aware of it. All section 63 with the class factors does is make for the raping of land.

There is an illustration in here where a person, instead of building 24 units on a piece of property, he built three sixes, and all it ended up doing was he used 90 feet of land for driveways instead of 34 feet for driveways. He ended up owning 18 units and paid considerably less tax dollars than I did.

It is not fair. We are not being treated fairly. Recently in Thunder Bay, a chap just built 11 duplexes, brand-new, they are sitting on the street right now, so he has 22 units, renting for over \$800 a month, paying maybe \$1,000 in taxes. He is in the rental business just like me, but what an edge he has.

Basically, again, I hope you gentlemen and ladies will read that material that is in there, because somewhere along the line—we have a brief before the Minister of Revenue right now. I have been in contact with that office. We have had some dialogue going and in fact she has got to get back to me next week. I am free to answer any questions.

The Chair: Thank you very much, we are going to proceed. Mr Tilson, do you have questions? Mr Wilson, do you have questions?

Mr J. Wilson: I think this brief was very thorough and I appreciate it. The question I did have was, in the Thunder Bay case with 1,377 households on waiting lists for non-profit housing, if Bill 4 does proceed, and there is every indication that the government is going to bulldoze ahead with this, do you have any thoughts—it is a little outside of Bill 4, but do you have any thoughts on how the government should handle those people in terms of providing affordable housing?

Mr Mauro: I think the biggest thing, just getting back to what I am talking about, is this class factor elimination can help, because I know we can keep rents down. From what I hear here, the rents are basically higher in Thunder Bay for a two-bedroom apartment. A brand new two-bedroom apartment in Thunder Bay is going anywhere from \$600 to \$700 a month. Yet, again, without government assistance back in 1984, I could not have built my block if I had not gotten that \$7,500 grant from CMHC. My property would still be sitting empty. That is on account of that class factor.

There is some building going on, but what the builders are doing to circumvent this class structure is they are putting up—in fact there is a case right now of a 16- or 19-unit apartment building, brand-new, but this chap applies for condo status. It is an apartment block really, there is no elevator in it, but all he is doing is circumventing the class, so his taxes are going to be cut in half. Instead of an 11.7 factor, he is going to have a 5.4 factor. And that is all he is doing. In addition to that, he has increased the value of that unit. Whereas an apartment block might be worth \$50,000, \$55,000 on the market, he has got something now that he can sell for \$70,000, \$75,000. This is the class structure again. It has been the biggest hodgepodge of this whole outfit, never mind even Bill 4. It has got to go. It has to go.

Mr J. Wilson: You are probably right in the suggestions you make and the changes you suggest. I think the

politics of it the government will have to deal with is, while your taxes may go down, several other peoples' will go up.

Mr Mauro: Definitely. But basically, where are we going back to by doing that? We are just going back in that brief also, when you look at it. We are just going back to square one. Like, somewhere in this province—and I have never been able to find out from the assessment people, from city hall—there is a genius somewhere who instituted this class structure. To this day, I have tried to find him. Nobody knows who he is.

Mr J. Wilson: I suggest you give up your search.

Mr Mauro: You are right.

The Chair: We are still looking for that genius.

Mr Mauro: And this is what I am saying. Previous to the province going on this market value, whatever, I went back and did studies in 1978, 1979—

The Chair: Mr Mauro.

Mr Mauro: Sorry.

The Chair: We are going to have Ms Harrington and Mr Abel with questions.

Ms Harrington: I just wanted to comment on your taxes situation. This is really astounding and I am really glad you gave it to us. I was not aware of this. In fact, just recently some of our members were talking about this situation. I want to tell you two things. First of all, we are allowing pass-through of the great increases in taxes, above the guideline. You are aware of that?

Mr Mauro: I am not aware of it, but I do not feel I even want it.

Ms Harrington: Okay, because you want a fair situation for your tenants as well.

Mr Mauro: Exactly.

Mr J. Wilson: You had better take what you can get.

Ms Harrington: And the other thing I wanted to point out—I think you have mentioned it here also—is that you have to pay commercial tax rates whereas the condominium right next door pays residential.

Mr Mauro: No, we are paying the same mill rate. We are paying the same mill rate as residential, but where we get nailed is—

Ms Harrington: Is the class.

Mr Mauro: We have the same market value basically. The sixplex and myself have the same market value per unit, but when you go to take its assessment, you multiply his market value by 5.4 to get his assessment. You take my market value and you multiply it by 11.7. That is it.

Ms Harrington: So you are still under residential then, you are not at commercial?

Mr Mauro: Oh, yes. We still have the residential mill rate, sure.

Mr Abel: Mr Mauro, in your brief you seem to be focusing on your tax problem, and it would appear that you have done the responsible thing and contacted the Minister of Revenue.

Mr Mauro: For the last four years.

Mr Abel: Well, it is a new minister.

Mr Mauro: And she is in our backyard too. That helps a little bit.

Mr Abel: So hopefully the issue will be dealt with. However, I would like to focus on Bill 4. In your presentation you made the comment that you thought the cheaper rent would not enhance construction of homes.

Mr Mauro: I am sorry?

Mr Abel: Did I hear you correctly?

Mr Mauro: What was that?

The Chair: He did not hear you correctly.

Mr Abel: I am sorry. You said that cheaper rent will not enhance the construction of homes.

Mr Mauro: I do not think I said that, did I?

Mr Abel: I do not know. It was not in your brief, but I thought you had said that.

Mr Mauro: No, I do not think I did. I think I was asked, would rents be held down, and again, I would say more so than Bill 4 would be elimination of a class structure would hold rents down. Like I said, you could freeze mine for two years, even three; I will give you three. Freeze my rents for three years.

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Ms Poole: I just wanted to commend you on bringing this forward to our committee. Having come from the north, I know that many times northerners like to say they do not really much like anything from the south, and they particularly do not like anything from Toronto. But that being as it is, I think you are going to get support from a surprising sector, and that is from the city of Toronto. We are very concerned in the city about the classification system and that it unfairly penalizes both tenants and small landlords who do not pass on the costs to their tenants. This is something that we are actually investigating right now. I too have written a letter to the Minister of Revenue about this and in fact one of the city councillors has sent a package from Toronto city council to the Minister of Revenue and asked her to do a review of the issue and change the system. You have raised an extremely valid point, and while it may not be something within the scope of us to handle with Bill 4, it has, I think, brought awareness to the committee members. We will make sure that this issue is pursued.

Mr Mahoney: First of all, thank you for coming all the way from the big Thunder. We appreciate your coming down here and taking the time and the expense. I understand, Mr Chair, that the expenses for this gentleman, for coming here, are being covered by the committee. That is a result of course of we, this committee, received a letter from the Honourable Shelley Wark-Martyn, quite upset that the committee was not travelling to Thunder Bay, saying that it would damage the NDP politically, etc, not that I want to bring politics into it. But I appreciate that notwithstanding the fact that this committee—in its government majority—refused to go to Thunder Bay, you have taken the time to come here.

Mr Chair, could I also ask that the people from New Liskeard have their expenses covered as well? Because they did travel some extended period of time and I think that committees should agree to pick up whatever costs are involved for any out-of-town people to come to a particular locale where we happen to be. I do not know, Mr Chair, if you need a motion on that, but if you do I would be happy to put it.

Mr Owens: There is allowance made in the standing orders for the provision of travel.

Mr Mahoney: I am well aware of that, but I understand the New Liskeard folks were not aware of that and did not submit a request, so that is why I put it on the floor. I would like to make sure that their expenses, as in the case of this gentleman, are taken care of.

The Chair: I am sure we will have the concurrence of the committee for that.

Mr Mahoney: Do I have any time left?

The Chair: Not really, Mr Mahoney.

Mr Mahoney: Thank you for coming. I have talked myself out of time.

Mr Mauro: Can I make one more comment, please, in closing?

The Chair: Certainly.

Mr Mauro: I was quite perturbed. This goes back to 12 February 1988, when Premier Rae at that point in time was a member of the opposition. I purposely cut this out and have saved it, never knowing that this moment would come. Basically, what he went on to say at that time in the House was that, "The Liberal government is ignoring the housing needs of residents and allowing them to be 'gouged' by profit-making landlords." I want to be on record that I not one of these gouge landlords and likewise I do not think landlords really want to be gouged by any government legislation that might go into effect. All I am saying, again, is treat me the same as my brother back home and I will freeze rents. You can freeze rents on me. That is just one item.

The other one is in another article, and I think maybe if you have not heard it, it bears a little bit of consideration. It talks about municipal taxation being less fair than personal income or corporate taxation. Basically, what it says is: "It taxes what is today the most expensive basic need of all—shelter (whether rented or owned). It is applied unequally to different classes of property and unevenly between municipalities." That is basically what I was trying to get at with my brief.

The Chair: Mr Mauro, thank you again for your presentation. Thank you for coming in from Thunder Bay.

SUDBURY COMMUNITY LEGAL CLINIC

The Chair: The last presenter for this morning will be the Sudbury Community Legal Clinic. We have 20 minutes for the presenter. Please identify yourself. You have 10 minutes for your presentation.

Ms Marcuccio-Rocheleau: Yes. My name is Anna Marcuccio-Rocheleau. I was not to come here alone today. I was supposed to have two others accompanying me.

However, one is home with the flu and the other could not fly in from Thunder Bay. Although I do appear alone, I assure the committee that I have many, many concerned tenants behind me. I will first of all commence with my brief and then continue on with Sally Colquhoun's brief, who is a staff lawyer at the Kinna-aweya Legal Clinic.

I am a staff lawyer at the Sudbury Community Legal Clinic. It is a legal service clinic offering summary advice and legal representation in poverty law areas, including landlord and tenant matters and rent review matters. We assist people whose income and assets are within guidelines set out by the Ontario legal aid plan. The clinic is staffed by three lawyers, I being one of them, two community legal workers and support staff.

Adequate housing is a basic human right recognized by the international community. Housing is a human need not unlike health care and education. Rent controls are measures to ensure that people's housing rights are met. It is not a policy to ensure business rights or even labour rights. These feelings have been expressed before the committee by advocacy groups speaking on behalf of tenants in Ontario. From the landlord's perspective, however, housing is viewed as a business, and the construction and maintenance of housing as an economic issue. The role and intent of the Residential Rent Regulation Act, 1986, will be viewed very differently, therefore, from the perspective of the tenant versus the landlord's perspective. If one looks at the present act for guidance, none is found, since the act remains silent in this regard. It does not have a preamble, nor does it contain any provision which sets out the purpose of the act. We must then ask ourselves why the act is necessary and what its purpose should be. Should it not be to ensure that all people in Ontario have access to secure, affordable housing?

According to the statement to the Legislature by the Honourable Dave Cooke, Minister of Housing, on 28 November 1990, more than 330,000 tenant families in the province have faced increases above the rent review guideline, in some cases paying rent increases of more than 100%. According to the 1981 census, the city of Sudbury had a total of 32,030 occupied dwellings of which 17,800, or 55.6%, were owned by the occupant and 14,230, or 44.4%, were rented. About 22% of the existing stock was 40 years old, built before 1946, of which 6% of the total was built before 1920. It is safe to say, therefore, that a notable percentage of rent increases referred to in the Honourable Dave Cooke's figures occurred right here in the city of Sudbury. It is a fact that often those with less negotiating power, such as women with children, people of visible minorities or people on public assistance or low incomes, are in a situation where they are paying too much rent. When landlords complain that the balance of rights should not be tipped too far in favour of tenants, the government must recognize the validity of the inequality of bargaining powers seen, which underlines part IV of the Landlord and Tenant Act, and then incorporate it into the Residential Rent Regulation Act. That is, the landlord and tenant relationship is not one where tenants have a real freedom to contract. Landlords who maintain that tenants are free to seek other accommodations if not satisfied with

what is provided to them do not present a realistic approach to the problem at hand. After all, the shortfall in rental housing is well illustrated by the apartment vacancy rate, which has stayed below 1% in the region of Sudbury for the past two years.

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Landlords will argue that the shortfall of rental housing is a direct result of rent control. Landlords argue that the present legislation has discouraged developers from investing in the rental housing business. It is fact, however, that investors who enter into the area of rental housing are aware that the investment is long-term in nature, that their profit will be realized when the property is paid off, via the rents received, and the property is sold. When investing, landlords are interested in finding buildings that maintain themselves and are not necessarily interested in realizing a monthly or yearly profit.

Landlords argue that during periods of high demand for rental accommodation comes the provision of higher rents. History has shown, however, that when there was an increase in the rate of apartment building and a brief oversupply of rental accommodation, this being during the period of 1963 to 1965, the tenants did not receive compensating advantages. The rent did not go down.

The only conclusion one is able to reach is that, in order to be fair, the balance of rights should be tipped in favour of tenants. And the government need not apologize for this result in its amended legislation. Protection is necessary for tenants and a balance of interests of the landlord and tenant relationship must be undertaken in drafting the new Residential Rent Regulation Act.

Landlords have argued before the committee that buildings throughout Ontario will deteriorate to unacceptable conditions if landlords are prevented from claiming a capital expenditure allowance at rent review. They support this argument with stating that because of lack of funds, repairs that need immediate attention will have to be postponed and it is tenants who will suffer in the long run. It should be properly assumed that a landlord will do some painting, plumbing, electrical repairs and general building maintenance on an annual basis. The present guideline increases approximately double the rate of operating cost increases and is intended to cover many types of maintenance. What has occurred under the present legislation is that landlords have obtained greater increases than allowed pursuant to the guideline, by underspending on maintenance one year, returning to normal spending and then applying for an extraordinary operating cost increase in addition to the guideline.

It is the tenants' position that the landlords neglect their obligation of ongoing repair and then carry out major catch-up repair programs, so that they have been the ones to suffer all along. A present fundamental concept in the rent review legislation is the concept of cost pass-through. Certain costs experienced by the landlord, including the costs of carrying certain losses, are passed through into justified rent increases. Tenants have found that money has been spent by landlords and accepted by rent review offices on capital expenditures regardless of the appropriateness or necessity of such expenditures.

Although section 96 of the present act allows the minister or the board to disallow all or part of capital expenditures when they "are substantial and became necessary as a result of the landlord's ongoing deliberate neglect in maintaining the residential complex or any rental unit therein," to date there has been little application of this section, although it has been frequently raised by tenants in response to a whole building review application.

The present Residential Rent Regulation Act also contains provisions that allow the minister to consider a change in the standard of maintenance and repair in respect of the residential complex or any rental unit located therein in determining the justified rent increases. The act and regulations do not, however, provide guidance as to how a finding that the maintenance has deteriorated is to affect the rent increase. To date, this section has been applied in few decisions, although tenants have frequently argued that there had been a deterioration in the standard of maintenance.

Finally, if the rent review operating guide that is provided to rent review services staff is looked at, it sets out three major responsibilities for the staff. They are: (1) to ensure efficient, timely, consistent and accurate treatment of all applicants under the act; (2) to facilitate communication between landlords and tenants leading to increased understanding and harmony; (3) to foster confidence in the system, particularly among builders and developers, so that the private sector will return to the rental market.

The committee will most likely come to the conclusion after the hearings, after hearing from landlords and tenants in Ontario, that these responsibilities have been met on behalf of neither the tenants nor the landlords. In speaking on behalf of tenants, the legislation is too complex and vague. It contains loopholes that benefit large corporate landlords. In fact, in the city of Sudbury a number of rent review staff have left their employment and opened their own firms to assist landlords in pursuing successful applications with rent review. What message do we receive from this reality?

We are in agreement with earlier submissions made before the committee by other tenant advocacy groups that the enforcement of the rent control system be a high priority, that sufficient numbers of enforcement officers be hired and provided with the training and commitment to investigate in a proactive way alleged violations and that they be given requisite power to issue immediate orders and initiate prosecution.

We ask the government to provide us with legislation that allows the rent review services staff to fulfil their responsibilities as they are presently set out in their guide and to provide us with legislation that will rightfully protect tenants in balancing the scales found in the landlord and tenant relationship.

The time slot that was reserved for me was to include time for the presentation of a brief prepared by Sally Colquhoun, who is a staff lawyer at the Kinna-aweya Legal Clinic in Thunder Bay. I do not know if the committee would rather I answer questions on my brief and then read hers. It was faxed to me this morning. She was not able to fly down. I do not know what order you would like.

The Vice-Chair: The difficulty we have here is that we are presently almost four minutes over the time limit for presentation. Perhaps we could pursue questioning in the committee and if there is any time left, if any party wants to waive its speaking time, we could permit the other one. But otherwise, to be fair to all presenters who have been here, we really must restrict the time. I know that all members do have a copy of that brief and can study it.

Ms Marcuccio-Rocheleau: Yes. I did provide copies, so if they wish simply to review the written format, that is fine.

The Vice-Chair: The clerk will see that everyone gets a copy. Okay. I believe the New Democratic caucus is first: Mr Abel, then Ms Harrington.

Mr Abel: I just have a very brief question. I did listen to your presentation very intently to make sure that I heard you correctly, so the people sitting opposite will not laugh at my hearing impairment.

Ms Marcuccio-Rocheleau: I am sorry. My voice does not carry that well.

Mr Abel: Some I hear better than others. My question is, obviously from your presentation, you feel that the current legislation just does not—

Ms Marcuccio-Rocheleau: That is correct.

Mr Abel: It is just not enough, it causes a lot of problems. Is that right?

Ms Marcuccio-Rocheleau: Yes. I must explain, however, that we do not deal simply with rent review and landlord and tenant matters. Most of our cases deal with applications or appeals of income maintenance type of decisions, and we have been flooded with those, so for the past two years our involvement with rent review has been on a summary advice basis. I do not lack concrete examples to give you today, but on a summary advice basis I can advise the committee that we receive numerous, numerous calls with respect to rent review.

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Mr Abel: And because of these obvious deficiencies that you have been faced with, do you feel that Bill 4 is taking us in the right direction?

Ms Marcuccio-Rocheleau: I think it is a responsible action taken by the government to put a moratorium and study the legislation that has not acted very well on behalf of either the landlord or the tenant and come up with something that will address the concerns of both parties, yes, but I would ask that when drafting the legislation, the imbalance of the parties, of their power, be taken into consideration.

Ms Harrington: That is a very good point. Thank you very much for bringing that to our attention. You have stated, I think, quite clearly that the system was not working and is not working. It has been open to abuse for some time. And you started off by saying that you are trying to seek a balance, and that is what we have to be doing, and a co-operation as well. So we have to have a good attitude, hopefully, on both sides. And in fact, I wanted to tell you that most landlords, 80%, do not go to rent review in order

to get an above-guideline increase and they seem to be probably the good landlords who are managing quite well, in at least some parts of Ontario.

What per cent increases have you here in Sudbury been faced with, you know, the people you deal with, and have you found any people who have had to leave their apartments because of these increases?

Ms Marcuccio-Rocheleau: Again, I have to repeat that for the past two years, I would say, we have been flooded in other areas such as social assistance areas and we have been restricted in the services we could supply as far as rent review applications are concerned. So my knowledge is limited as far as numbers are concerned.

Ms Harrington: Just one further comment. We have heard a lot this morning about the retroactivity of the bill and I did want to point out that all the other rent regulation legislation in this province has been retroactive in its nature. Retroactivity is something that we dislike. That is a very difficult issue, but placing a date which is fair to both sides is a problem. The 1 October date also allows 130,000 increases which were already on the books to still flow through, so those tenants are still getting increases above the guideline even though we have put the date of 1 October. It is really difficult to satisfy both sides.

Ms Marcuccio-Rocheleau: Since I did explain that we are flooded with areas of social assistance and are not able to do very many rent review matters, there was earlier a comment made, "Well, perhaps there should be an exemption included in the legislation for tenants of northern Ontario," that they would be exempted from any sort of freeze. Again, we deal with very low-income parties and I do not see how any sort of exemption would address their concerns. There is a very large number of low-income earners and people in social assistance in the region, and I wanted to address that one question that was put forward.

Mr Mahoney: I feel I must just make a brief statement on the issue of all former bills being retroactive. There is a major difference that should be highlighted, and really it is that the retroactivity in the past just simply applied to drawing certain buildings into the rent control scenario. There has been no attempt by any former government to take money out of people's pockets when they actually spent it based on the rules that were in place. So there is really a big, big difference between retroactivity of former bills and retroactivity of this, which is clearly, in my view, discriminatory and likely will face a court challenge.

I would like to ask you some questions as a tenant advocate about the kind of rent increases that your clients have been experiencing and some of the difficulties. The people who have been before us today have given us certainly a perception that rents are very reasonable in this area. The ones we have heard, of course, would not say any different, but they have painted a picture of very nice accommodation for very fair rents. That is what we have heard. Do you have something that would put a different balance on that?

Ms Marcuccio-Rocheleau: Again, I have to repeat that the people we deal with are on social assistance, mostly on very limited income. So of course they cannot agree with the statement that the rents here in the region are reasonable.

They do not have much income available to them. So, no, on their behalf I cannot agree to that.

As for comments that were made that we are not seeing in the north what we saw down south as far as buildings deteriorating and the maintenance issue not being addressed by landlords are concerned, that is not true. In the north it occurs also. It is not a different situation here. We do get a lot of calls where repairs are required and are not being done by landlords.

Mr Mahoney: What I guess I am trying to get at is that when we get out of Toronto and we go to other parts of the province, we do not hear the specifics of the same kinds of horror stories that we hear from certain groups in certain areas of Toronto. We hear the opposite—

Ms Marcuccio-Rocheleau: Perhaps because the services are available there and we do not have the manpower that they do in Toronto to deal with all the areas. As I say, the only service that is available here—

Mr Mahoney: No, sorry, it is tenant groups that are coming forward mainly and telling us that, as opposed to government agencies. What I am trying to get at is, can you give us specific examples that would refute the testimony that has been placed here today with regard to the Sudbury rental market? We are specifically in Sudbury for a reason.

Ms Marcuccio-Rocheleau: I understand that.

Mr Mahoney: We want to talk about northern Ontario, and if there are problems, all members of the committee would like to hear about them. Can you give me details?

Ms Marcuccio-Rocheleau: As far as figures are concerned, again, as far as the rent review area is concerned, we have not been able to open files on an ongoing basis. The person who gets summary advice calls is, again, away sick. So I cannot give you percentages, but I can tell you that 55% of the calls that do come in are for landlord and tenant matters, which include rent review concerns.

Mr J. Wilson: Anna, you spoke eloquently about the social contract. I think one of the big problems with rent controls over the years is that government has not levelled with both landlords and tenants in the sense that, from a landlord point of view, they are being more and more, increasingly over the years with new rent regulations, dragged into being part of the social safety net. Landlords are business people, and governments, as I say, have not—and it is time we did—levelled with them and said, "Yes, it is your obligation, it is a moral obligation"—or whatever—"to subsidize tenants." Many landlords who appear before us feel that that is exactly what they are doing.

I think that is unfair to landlords and I think we are getting to the point where many landlords are saying to us with Bill 4, which is another giant leap into further entrenching rent controls as part of the social safety net, and the landlords would argue, and have argued, on their backs—the good landlords. We have had some not-so-good landlords.

What do you think about subsidies for individuals?

Ms Marcuccio-Rocheleau: The government has indicated its wish to implement home renewal programs and subsidies, that sort of thing. I would be in favour of that. The tenants would benefit in the long run themselves, because

repairs that needed to be addressed would be addressed because the funds would be there.

We do not want to see the landlord suffer. That is not our intent. Simply, the tenants we see do need protection and that is the interest that I want the committee to see and consider.

Mr J. Wilson: Just to clarify that, from our party's point of view, that is one of the reasons we are opposed to Bill 4, in addition to reasons stated previously by my colleague. Bill 4 comes in, entrenches, again, rent controls, further entrenches the current system, and makes some corrections to it and some amendments, but there has not been any prior consultation. Do you believe the government, rather than taking this step now—because it has the green paper coming out next week and it is all very confusing—should perhaps hold off on Bill 4 and continue these hearings and consult?

Ms Marcuccio-Rochelleau: No, because the rent review act as it was, the Residential Rent Regulation Act, was not assisting anyone. It was not addressing landlords' concerns or tenants' concerns, it was creating problems more than anything else. So I think it was responsible for the government to put a stop to things and analyse things before they got out of hand. They have got out of hand, but more problems were created than have resulted. If something is not working, it should be stopped right away and looked at and then put something that can work into place.

1210

Mr J. Wilson: The problem with that though is, with Bill 4 and its retroactivity and that, it is difficult, as I said earlier in the hearings here, politically for the government. To me, Bill 4 already lays out where the government is going, because politically you cannot go back, and once tenants are used to increases at a certain level and not having capital costs passed through, it is very, very difficult to change something once it is given out. That is why if this bill goes through, I think it is already the road-map for the green paper.

Ms Marcuccio-Rochelleau: I think the government has indicated that the moratorium has been placed there to give it time to analyse the concerns of landlords and tenants and to come up with something that will address both parties' concerns, so I do not understand your fear. I am sorry.

The Vice-Chair: Thank you very much for appearing before us today. Your presentation was most helpful.

Mr Mahoney: Mr Chair, in light of the comments earlier about folks who have had to travel to this committee because we have not had an agreement to extend the hearings, I would like to put a motion that travel, meal, and accommodation expenses incurred by the following witnesses in travelling to Sudbury for these hearings be paid by the committee: James Mauro, Vickie Marsh, Audrey Pask and Ellen Tambeau.

The Vice-Chair: Mr Mahoney has made a motion. Is there discussion?

Mr Mammoliti: I am just wondering what we have done in the past as a government.

Mr Mahoney: You have not done anything in the past as a government. You have not been in long enough.

The Vice-Chair: Perhaps the clerk could clarify the—

Mr Mammoliti: On a point of order, Mr Chair: I am asking a question. This heckling has got to stop, Mr Chairman.

Interjections.

Mr Mammoliti: Point of privilege, Mr Chairman: I would just like to find out what we have done in the past. I am sorry, maybe I should have said it differently. Maybe if I had, Mr Mahoney would have restrained from his riff-raff.

The Vice-Chair: I think that is an excellent question and I think the clerk could probably bring us up to date on precedence in this matter.

Clerk of the Committee: Committees have in the past paid travel, meal, and accommodation expenses for witnesses who have to travel for the hearings, especially if one destination has been cancelled in favour of another.

Ms Harrington: We do not need a motion for it then; it should already be done.

Ms Poole: No, we do need a motion.

The Vice-Chair: We do need a motion, apparently. Ms Poole.

Ms Poole: I was just going to say that we would either need a motion or at least agreement of the steering committee, so I think that it is perfectly reasonable, and if there are any other presenters who have incurred expenses, they could please give their names to the clerk to be included.

Clerk of the Committee: Just to add to that, the finance branch will require a copy of the motion by this committee in order to put in its files to pay expenses for witnesses, so a motion is required.

Mr Owens: I support my colleague's intent, but the motion is redundant. Set out under standing 129(a) and (b) is the process for claiming for travel and the approval thereof.

The Vice-Chair: The clerk informs me we have a motion. If it is redundant, it is redundant, but let's do it.

Mr Mahoney: Mr Chair, could I just point out that I said I would put a motion if it was necessary. The clerk informed me that it was necessary and in fact drew the motion. So I am not pulling something out of the air, I just think the people who have had to spend money to come here should be paid for that.

The Vice-Chair: All in favour of Mr Mahoney's motion? Agreed.

Ms Poole: Finally, a unanimous motion.

The Vice-Chair: We will adjourn for lunch.

Clerk of the Committee: Can I maybe do this? Just to let the committee know, the committee will be reconvening this afternoon at 1:40, not 2 o'clock, as shows; that is a mistake on the agenda. I apologize for that. In addition to that, the Social Services Research and Advisory Group scheduled for 3 pm has cancelled and the 1:20 witness has agreed to take that slot.

The Vice-Chair: Thank you. I expect to see all the committee members back at 1:40, bright-eyed and bushy-tailed.

The committee recessed at 1215.

AFTERNOON SITTING

The committee resumed at 1341.

LUCILLE GERMAIN

The Vice-Chair: We have Lucille Germain. Good afternoon. Identify yourself and any organization you may represent for the purpose of Hansard. You have 10 minutes to make your presentation. It would be followed by 10 minutes of discussion with the committee.

Ms Germain: My name is Lucille Germain. I am here as a landlord. I would like to thank you for giving me the opportunity to voice my deep concerns as a landlord regarding Bill 4.

I believe this legislation to be unjust to landlords and punitive in nature. This government implies that Ontario's landlords are a group of rich, unscrupulous people, out to gouge the poor tenants of this province, and that flipping properties and conducting luxurious renovations is prevalent in the rental property market. I disagree with this government analysis. I concede that there might be some landlords who are unscrupulous and who abuse the system, as well as there are bad tenants, but most landlords are conscientious, hardworking people from all walks of life who simply expect a fair return on their investment. I suggest to you, committee members, that Bill 4 discriminates against landlords by not allowing rent increase for capital expenditure for financial loss and only a limited operating cost. Please allow me to present my case and the facts of the hardship I personally will have to endure upon application of Bill 4.

Let me give you a few personal facts. I am on fixed income. I am a widow. My husband was killed in a mining accident in 1977. I was left with seven children, one only still at home, I must admit, but it is a big responsibility. Like many rental property owners in Sudbury, I am a small-time landlord. In the spring of 1988, after careful considerations, in order to supplement my income I used part of the proceeds from the sale of my home as a down payment on a rental property here in Sudbury. It consists of three units.

My objective at the time was mainly long-term investment, capital gain. Major repairs were done to the property. All of them, I assure you, were necessary; none of a luxurious nature. I applied and was granted a rent increase at the time, but unfortunately for me I had not completed the repairs, so in January 1990 additional repairs had to be done to the building. I used up close to \$5,000 of my own personal savings to cover the costs of these repairs. My tenants were the ones who benefited from this. I did not.

The law current at the time allowed me to recover those expenses. All the repairs were done prior to the Bill 4 announcement, but then came Bill 4 with all of these retroactive components. Where does that leave me, I ask you, committee members?

I have here with me a financial statement which, with your permission, I would like to read to you. This statement is a monthly statement for the year 1990. I just broke it down into months and I just gave you the overall. Reve-

nue for a month is \$1,300; mortgage expenses, \$819.06; hydro and heating, \$291; water, \$43.16; land lease, \$8.50; insurance, \$76.25; property taxes, \$73.80; superintendent fees, \$50, which bring my expenses up to \$1,361.77, and my revenue is only \$1,300. But that is not all. Maintenance and repairs in that year have cost me over \$510.33 a month, which brings me to a total loss of \$570.10 a month. Those are facts. Those are cold facts.

I am asking you, committee members, am I gouging my tenants? I have in fact been subsidizing my tenants at the rate of \$570.12 a month for the year 1990. This represents 42% of my personal monthly income.

If Bill 4 is enacted it would make it impossible for me to recover the cost of these repairs. I will not be able to carry on. I am facing bankruptcy. Those are facts. I am in a financial loss position. My personal savings are being eroded by this constant drainage on my savings to keep up the expense of this property.

My other alternative is to dispose of the property and risk losing my initial investment. It is a well-known fact that Bill 4 would depreciate the value of my property by at least 25% and those numbers have been in the papers. I did not pick that out of the blue. Those are facts. It took me 25 years to accumulate those savings. Seven children—I am telling you, you do not save a lot a month. And that is the proceeds from my own home; I want you to remember that.

I assure you I did not take this very lightly. I am upset and I think I have a right to be. Would you not be upset?

I do not believe that rent regulation serves the needy. I do not believe that the poor are being served by this rent regulation. It is the middle-class people who can afford the rent who are abusing it. They stay in those units because they are saving a lot of money. But I ask you, if you were a landlord, if you had a choice between a wage earner who is making \$30,000 and one who is on welfare, which one would you pick? And here in Sudbury, fortunately, we landlords have a choice because, as you know, the vacancy is less than 1%.

I protest very strongly the retroactivity of Bill 4. We landlords are required by law to give tenants three months' notice, as you all know, for a rent increase. Yet this government has the audacity to come in with a retroactive legislation and tell us landlords: "Too bad, tough luck, but this is the way it is. We want to take care of the problem." Well, I ask you, be fair. Give us two months' notice. Please. That is courtesy. That is why I would demand—I believe most of you would agree with me, that it is just fair. What is fair for the goose is fair for the gander.

By changing the rules in the middle of the game, this government has shown a lack of concern for the landlords of this province. We landlords find ourselves in bad situations. This government is not living up to its social responsibility. Subsidizing should not be carried on by the private sector, namely, the landlords. It is the government's responsibility and there are needy people out there and they should be subsidized but, I beg of you, not by me. I cannot

afford it. I am poor. Do you believe that I am poor? I am poor. I still have my dignity, but it is pretty hard to keep, believe you me.

1350

The implications of Bill 4 are far-reaching. Landlords are not the only victims. The construction business as well as all related businesses will suffer. Unemployment, bankruptcy, declining rental stock, slums are but a few of the problems this government will have to rectify should this legislation be enacted.

I ask all of you members, please consider the hardship you are putting on some of us; I am not saying everybody, but some of us. I would like to believe that this government has the best interests of all its constituents at heart and that it is prepared to work with landlords and tenants alike in a constructive, unbiased manner in order to find a solution to the housing problem of this province. It will not be easy, but it can be done.

In conclusion, I would like to say that I do not doubt that this government acted in good faith; it was trying to rectify an injustice, so it feels. But I ask you, consider my side as a landlord. I am also a tenant, as a matter of fact. I am renting for my own personal use, and I know both sides of the matter.

Obviously this government has been grossly misled, and I will sure hope that it will rectify that problem. I can only hope that my presentation will help committee members to reach the right conclusion regarding the proposed legislation. Thank you, ladies and gentlemen.

The Vice-Chair: Thank you, Ms Germain. Mr Mahoney has a question.

Mr Mahoney: Thank you for your presentation. I think it is probably one of the most germane that we have heard because it really cuts to the quick of the issue. There has been a perception that landlords are just mysterious numbered companies out there, megacorporations treating tenants badly. And the reality is, and it is particularly so, as I said this morning, when we get outside of metropolitan Toronto we see the real face of the small entrepreneurial landlord, in many cases, individuals such as yourself, who in good faith and with a lot of heartache and struggle invested to establish a future for yourself and your family. My mother had nine kids, I can imagine raising seven and being left on your own to do it.

But I think your points are—to me anyway; I can only hope that the government members feel some empathy and sympathy in that regard, too, to understand the concerns. Otherwise, we are not going to be successful at making changes, because the opposition members simply cannot do it alone. We can put amendments, and will.

Could you give me some indication, some statistics, on—you have got a three-unit project. Do you live in one of them or do you rent outside?

Ms Germain: No, I do not. I rent outside.

Mr Mahoney: Could you tell us just very briefly what the rents are, what the rents have increased over the last, say, three or four years and on what basis?

Ms Germain: I only purchased the property in the spring of 1988. Major repairs were done to the property, as

I have mentioned. I spent \$36,000 at the time, and those were all necessary repairs.

Mr Mahoney: This was 1980?

Ms Germain: In 1988. That is the year I purchased the building, and I did receive some increase, but it is not sufficient. Like I said, when I bought the complex I was making about \$200 on the rent clear to me. But I decided to repair the building. It did need the repairs, and I thought any tenants deserve to have a clean place, and it was not in very good condition. I did that for my tenants. I did not have to do it. As a matter of fact, I was making money at the time.

Mr Mahoney: Could you tell me the rents?

Ms Germain: The rents at the time were \$450. This is three bedrooms, 1,000 square feet, all utilities paid. The one bedroom is about 600 square feet, fridge and stove included, all utilities paid. Again, this is what is killing me, the expenses. If they were paying their own utilities I could probably manage better, but as you all know everything has gone up. Now I am faced with GST. Nobody likes GST, but this adds up; only the hydro and heating costs are costing me \$20.30 more. I have no way of recovering that until next year.

Mr Tilson: I try not to agree too often with my friend to my right, but in this particular case I will.

Mr Mahoney: There is only me here. I am sure not to your right, I will tell you that.

Mr Tilson: Your presentation was very succinct, and I think does express the concerns of certainly our party. And as Mr Mahoney said, I think all we can do is try to emphasize to the government the economic damage that this bill is doing not just to landlords but to tenants, to people who are doing the renovations to these—in other words, the jobless situation, the people whose contracts are being cancelled. I think that all we can do is try and persuade them to revise their thinking.

I would like to ask you one specific question, and that has to do with maintenance of your building, because you have indicated your thoughts on that. According to the current rent review provisions, 1% of last year's 4.6% guideline, 1% of that was for normal maintenance, at least from the information that has been given to me. Now, based on your rental of your building, can you tell me how much rental income, how much of that would generate a 1% increase?

Ms Germain: At this point I do not have 1% increase. I am in the red.

Mr Tilson: I guess I am getting to the question, how are you going to maintain your building, let alone make capital expenditures?

Ms Germain: I do not know. I honestly do not know. So far, I have been using my personal funds, but they are getting close to being gone altogether. I am facing bankruptcy, and that hurts.

Mr Tilson: This breathing-space legislation, as the government describes it, could go on for another year at minimum. How long can you last?

Ms Germain: Well, I do not think I can go on welfare. I am getting a fixed income. I will have to find some odd jobs to support it. I do not want to lose that investment. I am here—those are facts. I do not know. Luckily for me, I must say that this was the last part of the repairs, and that was the end of it. So, now, I do not anticipate too many repairs in the future, but I still have to live with this. If Bill 4 retroactivity was cancelled I could live with this, I could. I would somehow survive and then I would be able to just go on, you know, maybe not making a profit, but at least breaking even. I am not asking more than that, but at this point I cannot, I am not.

Mr Tilson: We have had small landlords come to us while we have been hearing comments like yours, and the reaction from the government side of this committee has been, "Well, did you make, perhaps, a bad investment?" In other words, in 1988 did you check out the difficulties of these buildings and did you make a bad business decision?

Ms Germain: No, I did not. It was a sound decision. It was done after careful consideration, and it was a good investment, and it would have paid off if I had been able to get over these repairs, because, like I said, I put a lot of money into it, and now it is in good shape except that I am stuck with the bills.

Mr Tilson: Thank you for coming and telling us your story.

Mr Mammoliti: Mr Mahoney touched on perhaps a concern—I am not too sure—about whether corporations own a significant amount of property, buildings out there. We just received something here today that tells us that 76% of the units are controlled by corporations. I think that is something that we should be aware of; 76% of the units in Ontario. But that is that, and I want to address a couple of points with you.

First of all, you mentioned that you have a choice when it comes to tenants, and I am a little concerned because I got the impression that you would sooner take the tenant who is not on social assistance rather than somebody who is. Is that the case?

Ms Germain: Okay, I would like to clarify this point. What I was saying is, most landlords would take somebody who is earning \$30,000 a year. As a matter of fact, I have had many clients who have been on welfare, and I cannot complain. I had one tenant who was on welfare and I am going to court because of the damage he caused, but I am not going to put down the people on welfare.

1400

Mr Mammoliti: Okay, you have clarified that for me. The second point I would like to make is actually clarification on my part again. You mentioned that you were poor. I have seen a lot of poor people. I come from Toronto. There are a lot of poor people in Toronto, people who are being forced out on the street because of the previous legislation, because of rent review. They are being forced to shelters and to food banks because of the fact that they cannot afford rent increases. Madam, will Bill 4 force you to go to a shelter and to a food bank?

Ms Germain: I do not know yet. It might. If I did not have the fixed income, I would have to go there, and I am saying to you, since you represent the government, this is your responsibility. It is not my responsibility to support every person. I am a socially minded person. I am. And I care for those people and I am getting along very well with my tenants. We have a good relationship. As a matter of fact I went to them not long ago and we discussed this, and one of them said to me, "I know this place is worth at least \$700 with all the utilities included, but of course I'm not going to pay if the government says I don't have to." That is their point of view. I mean, you have to listen. Not everybody is gouging the tenants. Believe me, I am trying my very best.

Ms M. Ward: Some of my questions were answered. I did not hear you actually say that you had an application in for rent review now but I assumed you had. @N = **Ms Germain:** Yes, I do, and I am afraid I missed that part.

Ms M. Ward: If that is the case, what increase are you asking for?

Ms Germain: I was asking for a 10% increase.

Ms M. Ward: Including the guideline, 10% total?

Ms Germain: Yes.

Ms M. Ward: Mr Mahoney was asking some questions and did not get a chance to finish. You were talking about the rents. What have been the increases previous to this time? What increase did you last—

Ms Germain: I was allowed \$100, from \$450 to \$550. That was \$100 but those rents have not been increased in three years.

Ms M. Ward: So it is three years since you have had an increase.

Ms Germain: I have not had an increase.

Ms M. Ward: You have taken the guideline though?

Ms Germain: Nineteen eighty-seven was the last time that I had an increase on those rents.

Ms M. Ward: Aside from the guideline?

Ms Germain: No, no. I did not.

Ms M. Ward: Oh, nothing.

Ms Germain: No, nothing.

Ms M. Ward: Is that because your applications are backlogged?

Ms Germain: No, at the time I was doing repairs on the property and I felt that the tenants had to suffer through all them and I did not want to impose that on that. At the time, you have to remember I was making a bit of money on it and I was trying to be fair. All I want is a small monthly income. That is all. I want a return on my investment.

Ms M. Ward: You have answered my questions. Thank you very much.

NORTHWESTERN PROPERTY MANAGEMENT LTD

The Chair: I believe Northwestern Property Management from Thunder Bay is next.

Ms Marsh: It has been a long day.

The Chair: Good, well, I hope you consider it worth your while.

Ms Marsh: We will see.

The Chair: All right. I think you have observed the procedures and you will have 10 minutes for your oral presentation and 10 minutes for questioning.

Ms Marsh: Okay. My name is Vickie Marsh. I am a senior property manager with Northwestern Property Management in Thunder Bay. Before I begin I would like to say that our firm is a member of the Fair Rental Policy Organization of Ontario. I have used a lot of their statistics that have been provided to us by them, although we agree with all of them.

First I will tell you a little about our company. We are the largest company in northwestern Ontario with a portfolio of income-producing and non-profit projects. We are also speaking on behalf of several other landlords, as was Jim Mauro this morning. We welcome the committee's public hearings as an opportunity to examine both the realities of the rental situation in Ontario and the fairness and efficacy of the government's proposed legislation.

The first thing that really bothered me about all the government publications and the media was the politicizing of the information services of the government. While we can expect this from the media, government publications should reasonably be expected to be objective. I quote from a Ministry of Housing guideline: "Tenants will no longer be required to pay rent increases to finance luxury renovations or the flipping of apartment buildings. As well, tenants will not face rent increases arising from capital expenditures." This paragraph was included in a circular that we picked up and the message it conveyed to us was: Capital expenditures are not a major concern but will be affected incidentally, luxury renovations are widespread throughout the province, and all apartment sales are flips. Although none of the above are true, the government was implying they were. It is beyond our time today to discuss these concerns but I just wanted to bring them up.

We are going to focus our attention on the following: that rents in Thunder Bay and district are not excessive and rental housing is not beyond the reach of the average tenant. The average rent for bachelor, one-bedroom and two-bedroom units in Thunder Bay is \$303, \$451 and \$567 per month respectively. These figures are taken from a CMHC rental market report of October 1990 and I have included it in the back. Further, the average rent in the province of Ontario is \$550 per month. Even the Metropolitan Toronto averages are \$456, \$556 and \$683 per month. Again, these figures were given to us by the FRPO and I know they were included in its presentation also. A rent of \$567 per month would require a gross annual salary of \$23,000 to stay within the 30%-of-income ceiling for housing expenditure. The average income in Thunder Bay as per Statistics Canada is over \$36,000. This is well above the income needed to afford an average rent in Thunder Bay. Provincially the average tenant family in Ontario has an income of \$32,298, also well above what is needed for the provincial average rent.

This is not to say that there are not those with affordability problems. Almost one third of tenants spend more than 30% of their income on rent—not because their

rents are too high, but because their incomes are too low to afford even the most reasonable housing. These people are desperately in need of income assistance and the bill should be addressing a means of subsidizing these particular people, not penalizing all landlords.

The next area of concern was the very unfactual statement in the first page of Minister Cooke's speech to the House: "In some cases, tenants have been required to pay rent increases of more than 100%. For many, this was tantamount to ordering them to leave their homes." The dispassionate facts from the Ministry of Housing's own statistics tell quite a different story. Of Ontario's 1.2 million private rental units, in a given year more than 86% receive rent increases of under 5%. Less than 1% receive increases of 30% or more and only 7/100ths of 1%, 84 units out of 1.2 million, fall into the 100% and over category.

These few 100% increases are then charged back in the press and by politicians to greedy landlords ripping off the system. Again, this is patently untrue. The very few large rent increases which do exist are almost always the result of a combination of at least two out of three important factors: extremely low base rents, a requirement for extensive structural renovation due to age and deterioration, and small building size, usually under 10 units. We ourselves manage a project which had two of the above requirements and had an over 100% increase. We applied for a low-rise rehabilitation program on a 30-year-old 152-unit town home project and, let me add, it was the biggest in Ontario to the time. We had government people coming out our ears up there. Starting rent at this project for a 3-bedroom town house was \$192 a month. Some \$3.9 million and three years later, rents are now \$405 a month. The units were completely refurbished both inside and outside, requiring the tenants to physically move out for three to four weeks, with an approximate cost of about \$32,000 being put into each unit. Comparable rents on another 3-bedroom town house project we manage right now in Thunder Bay are \$699 per month. We are still way under market rent.

Further, of the 152 tenants only 28 left the project. Of these 28, 23 could afford to purchase their own homes and did. These figures were kept by ourselves as we were interested in how a project of this scope would affect the tenancy. A rent supplement agreement was also entered into by ourselves with the Ministry of Housing to directly address and assist the problem of those who could not afford housing. Therefore we disagree with the statement that "thousands of tenants are being economically evicted" by huge increases. Our own experience proves this not to be true.

1410

Our third concern is with capital improvements to rental stock. The vast majority of capital improvements are both necessary and far from luxurious. These include concrete repairs to balconies and garages, replacement of plumbing risers, exterior cladding, roof repairs and replacements, electrical lighting upgrading, replacement of single pane windows and so on. These are also the most expensive types of improvements, accounting for the bulk of all capital-related rent increases.

Over 80% of Ontario's rental housing was constructed before 1975. Government studies have estimated that at least \$10 billion worth of capital investment is needed to conserve this existing stock. If landlords cannot make these investments because they will never be able to recover the funds that they would have to borrow, there are only two choices: either the work will not get done, to everyone's detriment, or the long-suffering taxpayers will pick up the bill. The money for major repairs and renovations is simply not provided for in the allowable rents.

The formula for calculating the annual guideline includes provision for normal maintenance, defined as such work as snow removal, janitorial services and minor appliance repairs. It also contains a 1% increment for small capital, meaning those items for which it is not realistic to apply to rent review because their total value will never generate a rent increase sufficient to overcome the 1% penalty for applying. However, please note that the 1% is deducted if there is an application for an above-guideline increase. Therefore, there is no double accounting. There is no provision in the guideline for funding major capital items since if there were, every tenant would be paying the cost regardless of whether capital improvements were actually conducted in his or her building. It was for this reason that during the development of the current rent review regime both the tenant and landlord representatives endorsed the concept of a separate justification system to provide for higher rent increases to fund capital improvements.

There is a popular misconception that landlords should be able to pay for capital improvements out of their "excessive profits." Owning an apartment building is not a profitable business. Most landlords are small business people who own a few units as a long-term investment, often with the view that this would provide retirement income. In many cases their buildings would show a loss in operation were it not that the owner provided most of the unpaid labour to maintain the property. Further, even in larger operations with professional management, returns are not impressive.

In 1989 the Ministry of Housing commissioned a study to examine this issue. This study found that the average returns on equity to investors in residential rental real estate decreased from 7.9% annually in 1970 to only 3.4% in 1989. Further, operating costs were substantially higher at the end of that period than at the outset. A government T-bill becomes very attractive compared to these figures. Add to that the absence of night calls for maintenance, emergency problems and other headaches of managing an apartment building and one wonders who wants to be a landlord.

Should the small owner decide to sell, the capital appreciations on sale are not great. Studies have shown that bonds, T-bills and other forms of real estate perform better. This is the dilemma. Supply and demand, the basic economic principle, would correct the situation. Further rent control will only worsen it.

An analogy that we were tossing around the office was this: If you have 40% unemployment in Newfoundland, you do not change interest rate policies for the whole country to stimulate investment and employment during

inflationary times. Further, you do not freeze rents across 1.2 million apartments in Ontario to help the 20% of tenants in need.

Rent control does not control costs and, like wage and price controls, you cannot have one without the other. An unrealistic reserve fund approach has been put forward by several groups as their solution to funding these improvements. These groups do not seem to realize that there is a huge difference between trying to establish a fund for a new structure like a condominium, where you can get large, up-front levies on the initial residents, compared to existing apartments with widely varying ages, capital needs, tenant profiles and existing rent levels. Not to mention that apartment reserve levies would have to be twice as large due to federal income tax treatment.

Also, any building which is under the auspices of an assisted rental program would run into immediate difficulties. Canada Mortgage and Housing Corp did allow for a reserve fund to be established but provincial rent control did not and would not recognize this. Therefore, none could be established. Upon maturity of the ARP, CMHC took the position that the mortgage was due and fully payable. As rents, under rent control, were not allowed to rise enough over the term of the ARP to accommodate repayment, many apartments with assisted rental programs have had to become involved with the deferral of these payments. Further, CMHC has taken away any equity position and disallowed reserve fund establishment until payment has been made. The question can then be posed, how is the apartment owner to make capital repairs if the government disallows any accumulation of funds until these mortgage payments, which current rents cannot accommodate, are met?

Now we go back to retroactivity. One of the simplest tests of fairness of a statute is to question whether a law-abiding citizen could have been aware of a law to be capable of complying. We cannot think of a better analogy than the one FRPO used in its presentation. It is fair for the state to say that as of tomorrow it is illegal to make a right turn at a red light, and it is the responsibility of all drivers to be aware of this change. It is patently unfair for the state to say that this change is retroactive to last month and that because you made a right turn at the time you will be penalized under the new law.

Yet the latter is exactly the situation in which landlords find themselves today. They have obeyed the law as it was on the books and relied on the legislation to guide their investment decisions. In some cases they have even received certificates from the government stating the rent increases to which they are entitled. Now they are being told that the rules have been changed after the fact.

Our firm just finished a rent review application for a purchaser in Manitowadge. The building needed a new roof, which was put on, and there were some \$200,000 in acquisition costs to be dealt with. These were under the then legislation. Now, due to the retroactivity of the NDP legislation, the phased-in rent increases have been disallowed. The owner may very well face bankruptcy. It is outrageous that after he followed all the proper procedures

and rules the rules can be changed after the fact. It makes a mockery of any attempt to plan a future rationally.

When it is impossible to know under what rules you will be making investment decisions, these decisions will not proceed. The retroactivity clause should be removed totally from this legislation.

Although retroactivity is unfair and must be dealt with, the proportionality of this bill must also be addressed.

Simply speaking, the government is using a sledgehammer to kill a flea. This is eminently clear from the statistics already mentioned. If, as the government has said, the intention is to eliminate flipping, which it has never shown to be a significant problem, and large rent increases, which are equally uncommon, then this bill is definitely taking a sledgehammer approach.

With regard to financial loss, the bill simply removes the provision instead of addressing the issue. A small investor who perhaps has owned the building for 15-20 years and decides to sell to recoup his retirement savings is treated the same way as the speculator who resells several times, if you can find such an example. The impact of this change will be tremendous. Residential rental buildings will be devalued by at least 26% to 30% regardless of whether the building has been sold before, and thousands of small investors will watch their retirement savings disappear, all to correct a minor problem to which they have never contributed.

Would it not be much easier to address the question of flips directly instead of legislating everyone? Indeed, the regulations introduced last year have already dealt with that problem to some extent by discounting the allowance for capital improvements if a building is sold after a rent increase for capital is granted. Further, regulatory changes under the act to remove any incentive to resell a building for a set term would resolve this problem.

With regard to capital improvements, the same sledgehammer approach is being used. Should the minister wish to stabilize the market by stabilizing large rent increases, it can be accomplished without eliminating all capital improvements. A simple cap on the size of rent increases attributable to capital in a single year would eliminate large increases without preventing necessary work. Using the same 5% annual phase-in, which applies for financial loss, would mean that 86% of tenants would still receive increases at or below guideline. The vast majority would receive 10% increases and a small fraction would pay 15%. Larger increases would effectively be eliminated, yet necessary capital work could still proceed.

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Further, changes made last year have already begun to end these double-digit increases. Landlords can now do capital work on a multi-year plan without losing 1% of rent each year as a penalty. Please note that this change was approved by both landlord and tenant groups. Unfortunately, should this bill pass, it will affect all of Ontario. The building stock will deteriorate, jobs will be lost, and investment confidence will decline. Mr Cooke, when appointed as Minister of Housing, indicated that he wished to engage in consultation with landlords and tenants to develop a new rent regulation system that would be equitable

to all. However, none of this dialogue has occurred and instead the government has chosen to put in place interim policies to stabilize a crisis which, in fact, does not exist.

We believe that the minister's original commitment should be honoured. Discussions between all concerned should proceed and this bill placed on hold until said discussions are complete. We would look forward to participating in those dialogues.

Mr J. Wilson: I was going to ask some questions, but I think you have given us a very thorough brief. There are a number of points in here that we, the PC caucus, would agree with you on and we will work very hard to try and make amendments, if we can, to the bill. Having said that, I conclude.

Mr Owens: I am curious about the number of units that you, through your company, manage.

Ms Marsh: About 1,500 right now.

Mr Owens: About 1,500, and in your comments on page 3 with respect to the average income you talk about the rents not being too high but, in fact, people do not have enough money, which is a paraphrase of what you are saying. I am curious to know, out of those 1,500 units that you have, how many are rent-subsidized by the government?

Ms Marsh: We are right in there for those. We have a very large rent supplement program signed with the local ministry. In almost every one of our buildings, at least 10% of our units are rent supp. We also manage a lot of non-profit housing, seniors and, in fact, we have the only psychiatrically impaired unit, other than in Windsor. It is in Thunder Bay and we manage that also.

Mr Owens: So you have all these progressive projects on stream, but then we have the statistics from the Fair Rental Policy Organization.

Ms Marsh: What we are saying is that there is an affordability problem for certain people. We are not saying that it applies to everybody.

Ms Harrington: There is one point that you make about the sledgehammer to kill a flea. Well, I would submit to you that this certainly is not a flea that we are dealing with. We have a very serious problem across Ontario and our government is very serious about trying to address it. And I do like your last comment that we look forward to participating in these dialogues and I certainly will see to it that you are part of that.

Ms Marsh: That would be great.

Mr Brown: Welcome to a fellow northerner. I just have one quick question in the interests of time here.

Ms Marsh: Oh, I get to come back again.

Mr Brown: We will see you in a few minutes, then. In regard to your low-rise rehabilitation program, this sounds like an extraordinary success.

Ms Marsh: It was. You should have seen it. It was a two-year project. We were six months late starting because of CMHC problems and then six months when we were late, they started giving us penalty fees for being late. It was really fun.

Mr Brown: Bureaucracy is always wonderful. Do you have any idea what you would have to charge, given the investment in these buildings, if the public funds were included in the investment? What would the rents have to be? Would they be in the \$600 or \$700 range?

Ms Marsh: They would have to be. We never did figure that out, but that is a good question, but it would have to be. Market rents in Thunder Bay for a three-bedroom town house in all of our projects are around the \$700 mark everywhere else except that project.

The Chair: As Chair, I would like to make a request of Ministry of Housing staff. Are they nearby? Could you have someone come forward? I was quite interested in the 100% increase that was brought to our attention here. Do we have a catalogue of all the 100% increases available, and could we find out what the actual rent in dollars was before the 100% increase, what the actual rent is after the 100% and actually how many people were economically evicted because of such an increase? Do you have all that?

Ms Marsh: Mr Mancini, we can provide you with information about the rent increases and what the rents were before and after the rent increases. We would not have information about economic evictions, however.

The Chair: Could we ask the owners of the buildings how many tenants did not renew their leases. We could find out that way.

Ms Marsh: That would be information that you could ask directly to those individuals, but it is the kind of information that might otherwise be covered by the Freedom of Information and Protection of Privacy Act.

The Chair: I think in the past the committee here has expressed to me and to all staff their concerns about economic eviction. Once we compiled the buildings, the addresses and locations of these buildings, we would know who the owners are. Why could we not make a phone call and ask these property owners how many people did not renew their leases. Mr Mahoney?

Mr Mahoney: Mr Chair, to try to quantify economic evictions might involve some difficulties in people almost having to provide a means test, and you might have some difficulty in people doing that. They may say, "It is none of your business whether or not I can afford it," but I think the original question of 100%-plus or 50%-plus increases should clearly be something we can get through rent review. I doubt that it would be a catalogue. It would probably be more like a sheet of paper.

Ms Richards: We can certainly provide the information about the rent increases.

The Chair: And can we have it compiled in such a manner that we could see the location of the building, say, Ouellette Avenue, Windsor, what have you, and the amount of rent in dollars, the percentage increase and what it means in dollars after, and I still would like to know, how many of the tenants in those buildings did not renew leases? Now I agree with Mr Mahoney, we do not want to pry into anyone's personal lives and appear as if we are trying to embarrass anyone, but I would like to know, if there were 100 units in that building before the increase,

how many of those 100 different signed leases were not renewed. I think that might give us an indication of what is going on without prying into someone's private life.

Mr Owens: Are you asking for buildings which have gone under whole-building rent review?

The Chair: Wherever there have been these huge increases, I am interested in that.

Mr Owens: How would you quantify something like that?

The Chair: It is a piece of data that we could use or not use. We have requested—

Mr Owens: I am not arguing its utility, I am wondering how you would actually draw that kind of data.

The Chair: Exactly the same way our presenter did today. She said that she had a building. There were 158 separate tenants, 158 separate signed leases. They had 100% increase in 23 apartments. People in different apartments did not renew. We can decide ourselves whether or not that was because of the 100% increase. Yes, Mr Wilson and then Mr Mahoney.

Mr J. Wilson: Mr Chairman, I would agree with the first part of your question. The second part, I would have to agree with Mr Owens, which is rare, that—

The Chair: I agree with all the requests you guys make.

Mr J. Wilson: The thing is, you are asking for a potentially misleading statistic in the sense that, unless you did—I understand from my presenter that you purposely did a follow-up and that most of those people moved into houses of their own, purchased houses. Now that, in that case, becomes a useful statistic, but if we are unable to find out—you know, people may have not renewed their leases because they were moving because of jobs or something. If you end up with a high number of people, a lot of people will run around and say, "Well look, the effect of this 100% increase, 80% moved out of the building." There is no direct correlation unless you did a very careful study, and I am not sure how the ministry would do that, so I agree with the first part of your request, but certainly not the second. A very dangerous assumption is being built into that statistic.

The Chair: Anything else? Anybody else? Okay, so we are going to request—the original suggestion was, we will compile all of the 100% increases.

Mr Mahoney: I just ask for one breakdown. Not to bog this down but I would like Metro Toronto to be done totally separately from the rest of the province.

The Chair: Do you want the GTA or just Metro Toronto?

Mr Mahoney: Well, I think you could extend it to the GTA perhaps.

Ms Poole: I think you would already have that breakdown, would you not?

Ms Richards: We compile our statistics according to regional information. Our central region includes Metro Toronto and Mississauga. Would that be sufficient?

Mr Tilson: I always like coming into these things at the end. We do have a document that I think you gave us, somebody gave us, from the Ministry of Housing dealing with 100% increases; 12 one thousandths of 1% is the number of units which obtained 100% increases. Now I do not know whether you need any more than that, but that is the factor.

The Chair: I have requested something somewhat different.

Mr Tilson: Okay.

The Chair: Okay, thanks, Vickie. We are going to move right along, since we have used up about 10 minutes of our time making this request.

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CRISIS HOUSING LIAISON

The Chair: The Crisis Housing Liaison is the next presenter. Just identify yourselves and whom you are representing, please, and we are following the same procedure.

Mr Schmidl: Good afternoon, I am Barry Schmidl. I am the president of Crisis Housing Liaison.

Ms Mayer: My name is Donna Mayer and I am the vice-president of Crisis Housing Liaison.

Mr Schmidl: I would like to give you a little bit of background information on who we are and what our agency does before we get into talking about the bill.

Crisis Housing Liaison is a non-profit organization that has existed for the last six years. We provide assistance to people who are in need of housing. As the name indicates, at least some of those people are in need of housing in a hurry, because they are in a housing crisis, although we deal with people who are not necessarily in a housing crisis as well.

We operate a computerized housing registry of vacant apartments, rooms and houses generally in the Sudbury region, but we also go a little bit outside of the region. Last year we served a total of 1,353 families and single people so, of course, the actual number of individuals is greater than the 1,353, and we have seen this year an increase in the last quarter of 11.5% over the previous year and over 66% over 1988.

Getting down to the bill itself, I have just been sitting here since the committee resumed this afternoon, so I have only heard two of the presentations. But it seems to me that from those presentations, as well as from some of the things I have been hearing in the media, people have missed the fact that this bill is meant to implement an interim rent review system. It is not meant to be a permanent bill. It is meant to be there for, I believe, a period of two years. We believe that will provide some stability in the market. One of the things we have found, and the members of the committee can see in the brief that you have been handed, is that the average rent for vacant units, which is what we have, of course, the listings that we provide to people, exceeds the individual's ability to pay on average. Obviously, there are some individuals who can afford the average rent that is being charged for a unit of size appropriate to their family. However, on the average, for almost every size unit, almost every quarter we issue

our statistics, we see that, in fact, the average rent in every class is above the average ability to pay. I am not even suggesting saying, "Oh, an arbitrary 25% of their income, an arbitrary 30% of their income." We ask each client who comes to us, "How much? What is the most you are able to pay for a unit?" That is what goes into the average. We do not take their annual income. We do not do a means test. We ask, "What is the most you can pay?" And I will tell you, if you wanted to sit down with a calculator, in almost every case, you would see it is significantly more than 25% or 30% of their income. I use those figures because those are the figures that are used by government when determining rent-g geared-to-income housing, government-sponsored projects like co-ops or non-profit housing, or in housing authorities.

The thing is, if you will look at the statistics that we have here, particularly on page 3, you will see that CMHC lists its average rents. We list our average rents. Ours appear to be a lot higher than theirs. That is because we list vacant units. They list all units, at least in buildings of more than three apartments.

I think you will see that if someone is going to be paying \$584 for a four-bedroom unit, as CMHC suggests, they are likely going to stay there rather than go looking for something that is vacant which, according to our statistics, would cost them an average of \$878. I think that a system of rent control has to be defined, and I am talking past the implementation of this bill, which will give landlords a fair return on their investment because that is certainly what it is. It is an investment. They are business people. But of course, as business people they have to expect some regulation. You cannot just completely scrap rent review. You cannot get rid of rent control or it would move to a system of anarchy in the marketplace.

We have heard this afternoon that most landlords do not gouge. Well, that is quite true. Most landlords do not gouge. And while scientifically I could not tell you exactly how many people have been gouged because it would depend on exactly what your definition of the word "gouge" is, I will tell you, people have to be protected because when there is no protection there, that is when you are going to see gouging.

Part of the reason why a lot of landlords do not gouge now is they know they cannot get away with it. Even under the previous government's rent review system they could not get away with it. I must say that the previous government's rent review system is not something that I would care to put in place if I were sitting at your end of the table, because far too many landlords got away with far too high rent increases for something like replacing the carpets in the hallway when they did not need to be replaced. I am thinking particularly of a case that I am aware of. I cannot tell you where or who because of confidentiality, but I know that people have moved out of that building because there is a rent increase or a threat of a rent increase, and so they move because they are not going to be able to afford it. This was, as I say, prior to the election of this government, prior to the introduction of this bill. It was under the previous government's rent review system.

The thing is, as I said, Bill 4 is temporary. It is meant to last for two years while a new system is put in place. That is where the discussion and the consultation is hopefully going to take place that the previous presenter was talking about. We would be happy to take part in that and I would invite your questions.

Mr Owens: The Sudbury Star on 4 and 6 February of this year reported stories about a 97% rent hike in a trailer park. I believe it was the Lakeview Mobile Home Park. I guess my question is that with respect to rent increase requests to the tune of 97%—and we have heard that these kind of problems only happen in Toronto, that the bad landlords are only in Toronto. We do not have maintenance problems in Sudbury, it is all in Toronto, but yet we have a lead story in the Sudbury Star about this type of a rent increase. If Bill 4 were not to be passed, if we just decided to drop it and put a moratorium on it—

Mr Mahoney: Is that a motion?

Mr Owens: With respect to economic evictions, again this is not something that happens in Sudbury, it only happens in Toronto. What kind of effect would that have on your case load if this type of protection that we are proposing under Bill 4 were not put into place?

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Mr Schmidl: I will tell you, there are cases of people moving out because they cannot afford the rent. There are also cases of people paying the majority of their income towards rent because in a tight rental market like Sudbury, which has been under or around 1% for the past several years, they do not see a decent place to go. And, you know, that latter case I am talking about is, you know, where people go to food banks because they do not have the money to put on food because they are paying it all for rent. There are problems with affordability in the Sudbury area, that is for sure.

Mr Owens: Now, is that affordability, as one group has argued, because simply people do not make enough money, or is it affordability because the rents are too high?

Mr Schmidl: I would say certainly there are some people who need rent-geared-to-income assistance. I am certainly not going to say that that is not the case, and there is a need for more rent-geared-to-income assistance. However, it is also a problem with affordability for people who work. We are not talking about welfare moms. We are not talking about people on disability pensions. We are talking about people with jobs. And 40% of the people whom we saw in the third quarter of 1990 were people who were either living with a friend or family because they did not have a place of their own, or they listed the street as their address—40%. And a lot of those people are there because they cannot afford something.

Mr Owens: Do you have a waiting list at your place of business for affordable housing?

Mr Schmidl: We do not have a waiting list as such. We deal with people as they come in. We provide them with listings of vacant units, appropriate size for their situation, a single or family as the case may be, and send them off with whatever assistance we can give them. And if they

come back, we assist them the next day. We did see, as I said earlier on, over 1,300 individuals or families last year.

Ms Poole: Thank you for your presentation today. You are to be commended for the work that you are doing. It is obviously a very necessary service that you are providing and we are glad to see it in place.

I was intrigued by your comments, actually, that you felt that most landlords were not gougers and that the rent review system that is currently in place, although it would not have been your first choice, does provide a fair amount of protection.

Mr Schmidl: No, I actually did not say that exactly. I said that even under the previous government's rent review system certain things were not approved. I did not say it gave them a lot of protection because in fact I do not believe that it did.

Ms Poole: I think you said it prevented gouging or protecting against gouging.

Mr Schmidl: I said it prevented some gouging. I did not say it prevented it all.

Ms Poole: But the interesting thing is when you made the comment that it was not the system that you would necessarily put in place if you were sitting in our position, that the rent review system that we have in place right now came as a result of consultation between landlords and tenants. In fact there were nine tenants on the committee and there were nine landlords and together they fashioned recommendations which resulted in the legislation.

The other interesting aspect is that some of the things, for instance, that the tenants wanted ended up being things that worked to the landlord's advantage and vice versa. I will give you one example. The tenant representatives felt that there was a repair component already built into the statutory guideline, so that if a landlord was going to go to rent review for major repairs the landlord should pay a penalty of 1% of the gross rents, and that would be deducted from any rental application at rent review. So this sounded like a fine idea in theory, but in practice what ended up was that they all bunched together. The landlords bunched together their capital expenditures, so instead of paying a 1% penalty of gross rents three years in a row and going to rent review, they would go one year and you would get large rent increases. Did you experience that in Sudbury, where certain landlords or a large number of landlords would actually bunch their capital expenditures together so that there would be a very large rent increase, or did you find just generally speaking any rent increases by your clientele they could not afford, no matter how modest or how large?

Mr Schmidl: I cannot comment on whether a large number of landlords lump things together as you say, because I simply do not have the information on that. However, I can say that according to the CMHC last year the average increase in the Sudbury region for one- and two-bedroom units was, I believe, almost 8% and almost 10%.

Ms Poole: Were these applications going to rent review or general?

Mr Schmidl: No, this is all the increases.

Mr Tilson: I would just like to refer to some of the statistics that have been given to us by the Ministry of Housing, because I must agree with the final paragraph in your letter as to what the real problem is. The real problem in this province with rent is that there are a large number of people who cannot afford anything. They cannot afford any rent. They cannot afford food. They cannot afford clothing. That is called poverty. And I guess my concern is, as our party's is, that this bill is affecting the overall economy of the province at that risk. It is the wrong way to solve the problem. For example, in the period from 1 January 1989 to 31 October 1990—and these are statistics produced by the Ministry of Housing—74% of all units did not apply for increases above the statutory guidelines of 4.6%. So a very small percentage applied that were over the statutory amount. The number of units receiving increases in the magnitude spoken of by Messrs Rae and Cooke is infinitesimal. Only four hundredths of 1% of all units in Ontario received increases in excess of 30%. And again, twelve hundredths of 1% is the number of units which obtained such increases.

I guess, getting back to the final paragraph in your presentation, there are the working poor, there are the seniors on fixed income, there are the single mothers, there is a whole range of people—and this has been said several times today—who cannot afford any increases whatsoever. Now, I would like to hear your thoughts as to a different approach, which is direct assistance to those people in the same way you would assist them with respect to food and clothing and other such assistance, specifically subsidies.

Mr Schmidl: I think that subsidies or rent-geared-to-income housing—let's be direct: that is what it is—is a necessary component of the fight against poverty in Ontario. And I think it forms part of the solution to poverty in Ontario. There are many other parts of it, but that is one part that specifically impacts on housing.

I think, really, you have to look at not only the person's income but also his expenses. And of course in rent-geared-to-income housing it is 25%, give or take a few odds and ends, of their income.

Mr Tilson: I am looking at people, for example, sir—some tenants that I spoke to last week, who were mainly seniors in a building, and they simply cannot afford any increases. In fact, 11 of those people recently have just left the building and gone to live in lower-standard accommodation at lower rents. Now, if you continue on with the process—in other words, this style of what Bill 4 is doing—that means that even more of those people are going to be in that predicament.

Mr Schmidl: You can either build hundreds of thousands of units of rent-geared-to-income housing, which will cost billions and billions of dollars, and solve the problem that way—and, you know, I could suggest that to Floyd Laughren and he would probably laugh at me, and I think quite justifiably he would laugh at me—or, as an interim measure, while the problems of poverty are being worked at from other angles—

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Mr Tilson: That is the question I have for you.

Mr Schmidl: What are the other angles?

Mr Tilson: Yes.

Mr Schmidl: Well, gee, I could spend the afternoon on that.

The Chair: Thanks, Barry. I would like to thank the Crisis Housing Liaison for coming today and making their presentation.

POLI RENTALS

The Chair: Poli Rentals, Thunder Bay.

Ms Marsh: This is Dan Chrusz's presentation. This is going to be a short one. Mr Chrusz is in Florida. He was expecting the hearings to be in Thunder Bay, so his vacation was already scheduled.

I would just like to, before we begin, make one comment. Mr Owens's example of the 97% increase might be a good one to also look at, but you also had better look at your beginning rents on that project. From my understanding, they were \$83.

The Chair: Ms Marsh will be making the presentation for Poli Rentals.

Ms Marsh: Okay. I am not 100% familiar with all of Dan Chrusz's portfolio. I know that he owns everything that he manages and has some 400 to 500 apartment units. Did everybody get a copy?

Ms Poole: I just wondered if I might point out for the benefit of the people in the audience why we are having the same presenter twice. The other party was from Thunder Bay and so when he could not make it asked this other presenter if she would also do his brief. Is that correct?

Ms Marsh: Yes.

Ms Poole: That was pointed out to committee members, but I thought that people in the audience might appreciate knowing why you are here again.

Ms Marsh: I do a lot. No. We were scheduled for Thunder Bay for 23 January and it was cancelled and the option was either we come to Toronto or we were to come to Sudbury.

The Chair: Very good.

Ms Marsh: Dan's presentation basically is about new furnaces and roofs on a 20-year-old building, that he urgently needs these new roofs but has no funding available. Poli Rentals owns and operates 149 town houses in north-western Ontario, 24 of which are in Kenora, 24 in Dryden and 101 in Thunder Bay. I happen to be familiar with all these projects, if you need to ask any questions on those.

All of these town houses are limited dividend projects built in 1970-71 whereby the rents have been controlled by CMHC and the tenants have enjoyed reasonable rents. Poli Rentals has enjoyed a good relationship with its tenants, keeping costs down and fair rents for years. However, Poli Rentals will be devastated by the effects of Bill 4. We have a situation here where the landlord has only been able to receive a fixed income as set out in the operating agreement with CMHC back in 1970-71. The landlord, Poli Rentals, receives \$1,085 a year or \$90.42 per month dividend to operate the 24 units in Kenora. We receive \$1,172 a year or \$97.67 a month dividend to operate the 24 units

in Dryden. In Thunder Bay the dividend is very similar, so Poli Rentals is not braced for such a blow such that Bill 4 would deliver.

We have a situation where, up to now, the buildings have operated reasonably satisfactorily. However, these buildings are 20 years old and now the furnaces, roofs, siding, windows and doors have had their useful life and need replacing. Poli Rentals has started a program of replacement, but Bill 4 says, "Don't spend money for two years." Furnaces do not wait. Roofs that have been patched for the sake of economy do not wait. The money we have spent, the money we must spend, has to come from somewhere. We have replaced 12 furnaces and a major roof this fall in Kenora and are replacing 24 furnaces in Dryden this moment. These are items that could not wait and had to be done. In the next two years, more furnaces will have to be replaced and more roofs will have to be refinished.

We are talking about megabucks each year that is required that cannot be lent, that the landlord does not have and Bill 4 is responsible for. Will Bill 4 tell the gas company to hold the replacement directives or the furnaces for two years and put the tenants in jeopardy? Will Bill 4 ask the tenants to excuse the leaks in their roofs for two years and take care of the lawsuits because we know the roofs must be replaced? Gentlemen—obviously he did not know there were ladies on the board also—Poli Rentals needs some answers. The tenants need the work done. The landlord realizes this and wants to do the work. The industry could use the boost in economy, but Bill 4 says no because we cannot get the funds to do the work from the tenant. The landlord does not have the money. The institutions will not lend it because income is so marginal. Where will the money come from?

Poli Rentals rents out three-bedroom town houses for \$380 and four-bedroom town houses for \$444. If allowed to increase rents modestly, we can put new furnaces in and put on new roofs, replace the siding, windows, doors and do some major interior work for about \$10,000 per unit. The results would be that our units would look and act respectable, we would pump \$1.4 million worth of work into the economy and the rents would increase \$108 per month per unit. A three-bedroom town house would then be \$488 a month and a four-bedroom town house would be \$552 a month, both of which are respectable figures.

The alternative to the above is total chaos, and Poli Rentals has no intention of being a slum landlord. Our units are 20 years old. We need the work done. The tenants want the work done. The economy wants the work done. We do not have \$1.49 million. We cannot borrow it because of Bill 4. Please give us an answer.

Ms M. Ward: Are we receiving that presentation?

Clerk of the Committee: I have two copies which I will have copied and distributed.

The Vice-Chair: For the information of the committee, they are being photocopied and everyone will get a copy of the presentation. The Liberal caucus has the first questions.

Ms Poole: I guess I had better think of one then, had I not?

Ms Marsh: Do you want me to just tell you some more about the buildings?

Ms Poole: I think I will think of some of the ones that I was going to ask you the last time you were up.

Ms Marsh: Sure. No problem.

Ms Poole: You may answer this either on behalf of Poli Rentals or on behalf of yourself. As far as maintenance for the buildings, do you put a certain amount aside?

Ms Marsh: Yes.

Ms Poole: What proportion of the rent or—

Ms Marsh: I do our budgets every year and right now operating costs run anywhere between 43% and 46% of our total budgets per year, and that includes all maintenance. We break down maintenance into two categories: maintenance and what we consider janitorial kinds of things, which include garbage removal, snow removal, cleaning supplies, things like that, and then general maintenance which is repairs and maintenance, plumbing, electrical appliances, elevators, carpeting, things like that. And yes, we do have a regular scheduled program of replacements and I consider that normal.

Ms Poole: This is for common areas only?

Ms Marsh: Oh, everything. We clean and paint on turnover.

Ms Poole: Does that include property taxes, for instance, or is that in a separate category?

Ms Marsh: No, that is in a separate category and they are very heavy.

Ms Poole: Do you have any breakdown of the costs of the units that you operate? Do you have anything in writing that you would have saying how much goes to property taxes, operating—the reason I am asking, a number of presenters have forwarded the idea that major capital should be included in the rent and it may be possible for people who have held their building for a long time and the mortgage is paid off, but it appears to be very difficult for many landlords who have a mortgage plus property taxes plus maintenance, all sorts of operating.

Ms Marsh: Right. We would have a real problem with that in Thunder Bay in that I am already \$150 below maximum legal allowed rents. Market will not bear it up there, so I have nowhere to go. I cannot raise rents to put any money in an account because the market just will not bear it.

Ms Poole: So the fact that Bill 4 makes no provision for necessary major repairs will have an impact on your buildings as they simply will not get looked after during the moratorium.

Ms Marsh: Yes. I have one building right now that needs \$250,000 worth of capital work. I plan on asking the shareholders. I wonder what the reaction will be.

Ms Poole: I think we can guess. Thank you very much.

Mr J. Wilson: I just want to ask you a general question.

Ms Marsh: Sure.

Mr J. Wilson: You have a very large portfolio, yourself and Poli Rentals. I am a tenant myself, down in

Collingwood, Ontario, and the same thing happens in my building where tenants, when we get together, cannot believe that the landlord does not have money because, you know, everyone pays out a large chunk of rent every month.

Ms Marsh: Yes.

Mr J. Wilson: And they get to adding it all up and think, "This person has got to be a millionaire," and, "Why don't you have money for capital improvements and that sort of thing?" Do you want to comment further on that? Because it is a line that the government keeps touting. These guys are rich, corporate bums and they have got to have millions of dollars and they are just pocketing it. And maybe they are. I do not know. We are trying to find out.

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Ms Marsh: I could give you a breakdown of what income on one building and expenses on one building are a month. I am in a situation right now, I was referring to earlier, with ARP repayment. A lot of buildings were built under that, the assisted rental program, and they subsidized for 10 years. The government subsidized our rents to the tune of up to \$100 a month, until such time as the rents came up to market.

Rents have never come up to market in Thunder Bay, so I am stuck with this repayment program, my ARP has matured. I have absolutely no money to repay that back. I have never, ever once on that building made the promised return in equity to CMHC, not once, and right now we have stalled for two years on any repayment on that. I have already built up over \$1 million of interest on that second mortgage.

Mr J. Wilson: And because you are involved with CMHC and the ARP, I mean, they are looking over your shoulder, so you would have—

Ms Marsh: All the time.

Mr J. Wilson: —so you cannot be skimming off the books.

Ms Marsh: No. They also come in and examine our rents, examine our books and that is one of the things, too. "Why aren't your rents up at maximum?" "Market won't bear it." So on one hand we have CMHC telling us one thing and on the other hand we have the provincial government telling us something else and in the middle there is us.

Mr J. Wilson: I have no further questions, Mr Chairman.

The Vice-Chair: Thank you, Mr Wilson. Mr Mammoliti and Mr Wilson.

Mr Mammoliti: Thank you, Mr Chairman. I am guilty of that, I believe that most landlords can afford capital expenditure costs. So when you say that the government is concerned, yes, and I am guilty of that. That is one of the reasons I am glad I am here and I am glad I am touring the province. You mentioned earlier that Mr Chrusz was in Florida? Does he have—

Ms Marsh: He also owns another company, Poli Fiberglass (1987) Ltd, which subsidizes a lot of his rental stuff.

Mr Mammoliti: So it is not only here in Ontario that he owns 400 or 500 units?

Ms Marsh: Oh, no, it is all in Ontario. It is all in northern Ontario, Thunder Bay—

Mr Mammoliti: But he also owns—

Ms Marsh: He owned that other company long before he picked up some of his—

Mr Mammoliti: In—

Ms Marsh: No, he is just down vacationing.

Mr Mammoliti: Oh, on vacation.

Ms Marsh: It is just a holiday. He had this set up for, like—

Interjections.

Ms Marsh: Yes, yes.

Mr Mammoliti: It is nice to know that some—

Ms Poole: Point of order, Mr Chairman.

Mr Mammoliti: Mr Chairman, point of order.

The Vice-Chair: Point of order, Ms Poole.

Ms Poole: Is he with Mr Cooke?

Mr Mammoliti: I hope you are going to add on some time here.

The Vice-Chair: Well, I can. I was really wondering about the relevance of the line of questioning.

Mr Mammoliti: I am glad this individual can afford a trip to Florida. I mean, that is great.

Are you aware of the complaints that Mr Chrusz has had in regard to some fridges that he has taken away and dishwashers from tenants in his buildings?

Ms Marsh: The dishwashers, the withdrawal of services in a three-storey building? Yes, the building is right behind one of mine.

Mr Mammoliti: So you are aware of it.

Ms Marsh: Yes, but the rents were adjusted accordingly.

Mr Mammoliti: They were.

Ms Marsh: Yes, for a withdrawal of services.

Mr Mammoliti: And that his application in front of rent review is trying to get some money for capital expenditures. Is that related in any way? I mean, capital expenditures that he is going after.

Ms Marsh: No, those are different projects.

Mr Mammoliti: The money he is going after and the fridges and stoves?

Ms Marsh: Totally different projects. Totally different buildings. Some of them are under limited dividend projects and some of them are not.

The Vice-Chair: Perhaps you would let Mr Wilson continue?

Mr Mammoliti: Yes, Mr Chairman, I will.

Mr G. Wilson: My interest is the way the tenants view this predicament, because it does sound as though it is unstable in that they, I guess, are aware of the problems that Mr Chrusz faces.

Ms Marsh: Very much aware. We have meetings with our tenants.

Mr G. Wilson: I see. What, with all of them, or how do those meetings go?

Ms Marsh: No, actually there is a group of 5 to 10 core tenants in the one building, the 160-unit building, that I meet with quite regularly to let them know where we are coming from.

Mr G. Wilson: And what would you say their attitude is toward the problems?

Ms Marsh: They are actually very understanding because of the fact we just had two big emergency repairs to do. I had to do \$150,000 worth of repair work to the garage structure that had shifted three quarters of an inch. At that point in time I had to defer carpet replacement on nine floors and painting on five floors, and that in no way covered the cost of this, but it was a bit of a cost-saving measure until we can start building up a little bit of cash again to do that.

Mr G. Wilson: Now as far as the roofs and the furnaces go in these buildings, is it not to be expected that they would have to be replaced after 20 to 25 years?

Ms Marsh: Not all of them at once. And my understanding from this is that the gas company in Dryden has put out an order that these ones have to be replaced. We are finding right now in one of our town house projects that the blocks are cracking on several furnaces and that is a major to do all at once.

I do budget for appliance replacement to a certain extent every year, but I do not budget for all of them. And if all of a sudden you find—and this town house project, when we did our inspections this year we found 33 of them have cracked blocks and we are sitting there, “Whoa.”

Mr G. Wilson: That is pretty unusual, though, would you not say?

Ms Marsh: That is very unusual. We usually budget for anywhere from three to five a year. The same with fridges, I will budget for five to 10 in one building, because that is normal, but when that happens, then you are just kind of going, “Whoa.”

Mr G. Wilson: Sounds like you should buy better fridges.

Ms Marsh: No, they are good.

The Vice-Chair: Thank you, Mr Wilson, and thank you, Ms Marsh. Have a good trip home to Thunder Bay.

Ms Marsh: Oh, thanks.

The Vice-Chair: We appreciated your interventions today.

KEN KALTIAINEN

The Vice-Chair: The next presenter will be Ken Kaltiainen. Welcome to the committee, sir. You have been observing the proceedings. You know you have 10 minutes for your presentation, followed by 10 minutes of discussion with the committee.

Mr Kaltiainen: Thank you. My name is Ken Kaltiainen. It is Finnish. I am a senior architectural draughtsperson here with a local architectural firm in Sudbury. I would like to welcome you all to northern Ontario.

In 1975, I graduated as an architectural technologist and I returned to Sudbury to look for work in my field. I could not find a job with local architects for two basic reasons. One is I had no experience and, two, the architects stated that there was no housing being built. At that time in Sudbury we had a vacancy rate in excess of 10% and also the Sudbury area was in financial ruin due to a lengthy mining strike that literally crippled the economy.

Over the next 14 years in Sudbury, we had a negative population growth. Therefore, forecasts were proving that no housing would be needed, nor my services. I had to go to Edmonton, Alberta, to work and gain experience in my field. I had to leave my home, travel 2,500 miles to get something I could not get in the biggest, greatest province in Canada.

Once out there, I concentrated on three areas. One was the housing industry; second, the commercial industry, which covers retail and office buildings, and the third being educational types of buildings, such as high schools, colleges and universities. As proven by my return, this was the best type of experience that would increase my chance of getting a job here in northern Ontario.

The architectural community must know a great deal in all disciplines of buildings in order to give a client what he or she is paying for, as well as the very best of services in order to retain that person as a permanent client. After 10 years of experience in Alberta, I returned to my place of birth with a variety of experience not readily available to architects here in the north.

Once back in Sudbury, I soon realized that all construction was in the private sector. The construction in the multifamily sector was very little to non-existent. Also, there were no new schools, new colleges or universities being built. The renovation jobs in the educational industry are few and far between. Once I realized what was happening, I sat back and evaluated why there was no housing in Ontario, the bottom line being that if no housing was being built, one third of my capabilities were no longer valuable to architects.

Today there is very little commercial work in northern Ontario for the simple reason that in Sudbury alone we have a 5% vacancy rate in the retail area. Let me ask you: How does Bill 4 affect me, a draughtsman? Well, if no new commercial or educational facilities are being built, that leaves only the multiple-family sector. With Bill 4, who in the private sector would take their money and invest in a multiple-family dwelling with all the headaches and, as proven, an average 3% return on their investment? Most clients we know would much rather take their capital that they have, secure it in a financial institution, get at least a 10% return on their money with no headaches.

With the present scenario in Ontario, I quite often ask myself, “How are we to build investor confidence with legislation that makes it so difficult to produce effective, affordable housing for all sectors and financial groups?” And building multiple-family units, I can count offhand 38 different trades, not to mention unions, financially related personnel, building material suppliers, that will be without jobs, and myself very shortly, if this continues. With Bill 4 and rent controls, not only will I be unemployed, but I will

be standing beside thousands and possibly hundreds of thousands of people affected by this bill.

From public figures available—yes, and through the Fair Rental Policy Organization of Ontario, but I checked as to where they got their figures from, which was from public documents—there is a shortage of 100,000 units in Ontario. If the average draughtsman can produce a 20-unit building in one month, that would create 458 years of employment for that one draughtsman, not to mention the structural engineers, the mechanical engineers, and so on and so forth, affected by that.

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Also, if I am to follow the news and believe it, the government is to build these 110,000 units—and we use the figures available here in Sudbury for building co-operative housing units of \$78,000 per unit—that would cost \$8.5 billion to build the housing shortage that we need. Who is going to pay for the \$8.5 billion? Who is going to finance that?

In my experience it would be far more economical to have the private sector build a majority of these units because they have proved they can build the same unit for 30%-35% cheaper, and the burden of financing these units would not be on the public sector.

When Premier Rae visited Wall Street, I was watching very closely. He was there to reassure the international investors that Ontario was still a good place to invest in. I do not recall Premier Rae mentioning to the investors in New York that you can invest anywhere you like in Ontario but leave our housing units alone. Is that not what Bill 4 is doing to us right now?

I would remind you of the presenters in Toronto whom I witnessed on TV, they have an option of \$500 million to invest in Ontario and they are pulling out.

From my investigation in Sudbury here alone, we could use in excess of 1000 units right now. And this is according to the CMHC report, readily available, just completed. In the next few years, that 1000 units will become 5000 units. I cannot see how, with the present legislation, let alone the government building co-operative housing the way they are, they are going to achieve this task.

It is a known fact as well that 80% of the housing stock in Ontario is over 25 years old. With this present legislation, the property owners will have no legal way of paying for fire code and building code upgrades that are required. This forms part of my job as well. I walk into these buildings with these owners, or so-called landlords, and I review the code requirements and implementations with them to see what the bare minimum requirements are to fix these buildings. God, it is horrible in some of them. I would not put my dog in them.

So with the existing legislation, nobody is going to be fixing these buildings and upgrading them, bringing them up to code. They are going to become firetraps, at whose cost?

While in Alberta, I was in rental housing. I was a renter and I was monitoring that industry. There were no rent controls. Out there, I had a choice at any given time, whether boom or bust, where I can rent, how much I was going to pay for rent, what I was going to pay for with that

rent, what I was going to get and what kind of amenities I was going to have. If I did not want to pay for a certain apartment, when I went to put an application to view it, the landlord knew I was not renting it because of this, this and this. I had a choice.

Here in Ontario, the only things the tenants know, and especially in Sudbury here, is that if an apartment comes up for rent there are 100 people standing behind them. The only other thing they know for sure here in Ontario is that, boom or bust, the rents are always going to go up.

Since 1973, government parties have been applying Band-Aid legislation to rent control. The private sector, their own government studies, have all proved that rent controls do not work. Who is listening? Why are we doing these reports if nobody is going to listen to them? The housing problem is going in one direction. I have been back in Ontario four and a half years and it is only going to get worse.

People in the north who buy a revenue property as you heard earlier today are doing it basically for one simple reason and that is to secure a future, a pension. Part of the baby boomers—when I come to retire, there is not going to be any money there. So these guys are taking the added step. Some people do it for other reasons but they are few and far between. These northern Ontario pension seekers, as I like to call them, also known as landlords, are a minority. Their industry is being choked to the point that they are being forced into bankruptcy. We have heard one lady here today already. By taking this portion of the industry, you are also sending me into bankruptcy. My best guess right now, with no commercial work and no educational work in the city of Sudbury, with 15 years experience in the architectural industry, in six months I give myself unemployment. And man, I am not looking forward to that.

In my opinion, there are a couple of things that can be done. First of all, through the government and their co-operative housing programs, shelter those who really need it. Eliminate the geared-to-income for those who do not need it. People earning \$35,000 to \$45,000 a year do not need subsidized housing. Bill 4 and all its tenant supportiveness and its landlord objections should be eliminated completely. The government should provide shelter allowances to tenants and not be in the construction business. Tenants should have accessibility to a sheltered allowance so that the \$1.4 billion spent annually by the government is better distributed to those who really need it. The government should work with the private sector to create new housing and allow the private sector a fair return on their investment.

The last item that I would like to touch on is that, my God, you know, this is a perfect opportunity for the elected NDP government to create housing, to create jobs, thousands of jobs. Who knows, with the unemployment rate in Sudbury now at 11%, the economic route that we are taking right now in Ontario, we could create a miniature upturn in the economy. Would that not be a nice feather in the hat right now? If this government is unsure of some of the suggestions I have made, why not use northern Ontario, or even Sudbury, as a test area? I know a lot of people in the industry who would gladly sit on a board to help set this

thing up, and monitor or police it, whatever you want to call it.

These are some of the solutions. I do not have them all. Like they say, "The ball is in your court." My employment is also in your hands.

Mr J. Wilson: Thank you, Ken, for your presentation. I was glad to see that you included a local example of units being built under a government program for \$78,000 a unit. As building a co-op unit, it is a point that I have raised in the House and brought to the attention of the minister on a couple of occasions because in my own riding, down in Alliston, they proceeded to plan to build a non-profit housing project at an astronomical cost per unit. In fact, it was at least 30% above what the private sector, if left on its own, would have built it for. But because it was a government program, I guess everybody was in for the take and up goes the price. And no sooner had we brought that to the minister's attention when one week later in the House he is announcing that the government is going to continue with the homes now programmed without review and build another 22,000 units.

That, you know, is not really a question but more of a statement. But do you know what the per-unit price would have been, or should be, versus the \$78,000 figure you have?

Mr Kaltiainen: Let me make a correction there. We have had some dialogue with the local Ministry of Housing here and I am going to mention this and you can have your own people chase it up. I have had a figure thrown at me that \$100,000 per unit is what it now costs in 1991 in Sudbury here. The difference between public sector and private sector is—when you are dealing with public money there are so many steps you must go through to ensure that that money is not being abused that the administrative costs, the bureaucracy procedure to build the same unit that a private sector would build, are running 30%-35%.

The average unit in Sudbury here right now, depending on what kind of construction and how many units, will vary from \$50,000, \$55,000 to \$65,000. There is a local developer here that I know of myself who is doing it for \$40,000. He is building apartments for \$40,000 a unit. Some builders and developers here do not know how he is doing it, but he is doing it. And he is building very few of them because there is no return even at that margin.

Mr Tilson: You have just answered a question and this whole subject has come up in both Toronto and Windsor. People who would come and say it is cheaper to build private enterprise units as opposed to public enterprise units.

Mr Kaltiainen: That is right.

Mr Tilson: The minister, Mr Cooke, happened to be at the hearing in Windsor when this statement was made and his comment simply was, "Prove it to me." Of course, my response was that the onus is on the minister to provide that information and I still challenge that. I am encouraged by your providing the facts that you have just given to us because now there are facts the minister will look at, that it is cheaper for private enterprise to build houses or apartment units as opposed to public enterprise.

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Mr Kaltiainen: It is very easy, if I may interrupt here, to get those figures.

Mr Tilson: I find, though, your figures rather alarming because even the figures that were given in Windsor and Toronto were not as high as that 30% and 35%. You say up here it could get up as high as that.

Mr Kaltiainen: It does vary, yes. They are there.

Mr G. Wilson: I am impressed with your presentation. It shows that you have given this a lot of thought, and I guess in some circumstances a desperate point of view. I am interested, though, to know—we had an earlier presentation that described housing as a human right and I am wondering what you think of that view.

Mr Kaltiainen: I would agree with housing is a human right, but I do not believe that housing the needy or the unfortunate is the responsibility of the private sector. Housing the needy and the deprived, in my opinion, is the responsibility of government. And that goes right back to the true definition that government is to govern the state to ensure the welfare and wellbeing of all concerned, not to be in business. It is a proven fact that government cannot be in business and make a profit and make the books balance. Take a look at our budgets.

Ms Harrington: Just a quick comment. I did not hear the beginning of your presentation; I am sorry. We really believe that apartments are more than just investments; that apartments are people's homes and that we have to balance between the people living in those apartments and those owning them. We want to work out a fair system which will give a fair return for those who are in the business. We understand you have a job to do. So I hope that will reassure you to some extent.

My comment with regard to the costs of non-profit housing and co-ops, you are right when you say that we are responsible for the public's money that is going into this. Therefore, it seems, and I know from my own local experience, there is a fair amount of red tape. And I assure you, from my background in trying to get this non-profit housing built in Niagara Falls, we are going to have to streamline some of that. But mind you, I cannot walk into the Minister of Housing and say, "Look, let's change all this," although some things have to be done and there is a mandate of this government over the next four years to do it.

What I would just like to mention is that this particular co-op housing project that I was involved in, the bids that we got from the private sector to build it, we got less per square foot. We worked out a real good deal, better than had ever been done before, to try to get this project of, I think it was, 60 units put up. And, I will tell you, we tried very hard and we were not getting any remuneration for this. We were just a group of citizens who were trying to get involved in putting up more housing that was needed.

So I am saying that we are going to cut the red tape, we are going to get this process working. That construction company, Kenmore Construction, gave us an excellent deal and we want that across the province to get people working, the trades and the builders busy.

Mr Kaltiainen: That is the key: communication.

Mr Brown: Yesterday I had the pleasure of attending a federal task force that was in Sudbury looking at the economy and then later on, last night, I was in Elliot Lake looking at the economy. And one of the presenters was the mayor of Sudbury here and he pointed out that although Sudbury's unemployment is rising—I think it has gone up 2% or 3% in the last while—

Mr Kaltiainen: That is right.

Mr Brown: —most of the unemployment has come from the fact that labourers and other people who have been laid off from places that have just been devastated, like Elliot Lake, have come here to find work. That has also put great pressure on the rental stock at the same time. I wonder, knowing the cyclical nature of the northern economies and the situation in Sault Ste Marie, for example, which might even put greater pressure on Sudbury, what your opinion is. You talk here about 38 trades that are conceivably losing work.

Mr Kaltiainen: That is right.

Mr Brown: It would seem to me that this is the time for landlords to be doing work, repairing their buildings, building their buildings. They could do it for less money; the labour force is available, ready.

Mr Kaltiainen: Exactly.

Mr Brown: They are not being taken up by commercial projects, for example—all those sorts of things—and now is the time we should be employing people in the north rather than putting them on UIC.

Mr Kaltiainen: That is right. Right now, today, at this time, even in Sudbury's economy, we might be saying, "Yes, we're doing better than other centres." We have also suffered longer and we have protected ourselves against it. Now in Ontario, anywhere in Ontario, now is the time to build. You would be nuts if you do not build now because the organized labourers are hungry, every tradesman is hungry, every contractor is hungry, the architects are hungry, the engineers are hungry.

Let me give you a fact here. A job that hits my desk, eight months later it will hit the public sector; it will hit the construction industry. So, gentlemen, if I have nothing on my board right now, what is going to happen next August and September? You are going to have all those 38 trades out of work, and then what are you going to do? And just think of this: Here we are such a large province, you are out of work in Sudbury; "Fine, we'll go down to Toronto." Why will you go down to Toronto? They are worse than we are. Or, "We'll go down to southern Ontario somewhere." Well, there is no housing there either. Where are all our qualified people going to go? They are going to have to do like I did: pack up your bags and head to the only place where you have opportunity. Do we have to go back to Alberta again? If that happens, I am not coming back.

Mr Brown: Along that same line, we have heard presentation upon presentation that there are various centres around the province where tradespeople—some union, some not—have come before us and told us, recounted,

occasion after occasion where they have had contracts cancelled, agreements entered into that land owners just cannot go through with, not because the land owner does not want to, but because he cannot borrow the money; no bank, trust company will do it.

Mr Kaltiainen: Exactly.

Mr Brown: So could you give me a percentage of how many people in Sudbury you think are directly affected by Bill 4?

Mr Kaltiainen: I would say everybody in the construction industry, most financial institutions, all property managers. Like I said, you are cutting out a third of the construction industry; one third; 33%. Let me state another fact here.

The Chair: Ken, we are already over our time. We appreciate your presentation today. Thank you for joining us.

FRED TWILLEY

The Chair: The next presenter is Fred Twilley. Just identify yourself and whom you are representing for the record.

Mr Twilley: My name is Fred Twilley and I am representing my wife and me. First I wish to convey my sincere thanks for this opportunity to express my opinions and provide what I believe to be useful feedback to our legislators. I believe that my wife and I, with our past experience as tenants and now as landlords, have a good perspective of the issues.

Working as landlords, we realize the importance of some of our decisions to our tenants and the responsibility that that entails. Like other small landlords we know personally, consideration for tenants' needs factors into our decisions. This is not to deny that the primary reason for our investing in revenue housing was to make a profit; that is, a profit sufficient to compensate us for the considerable time and effort we spend by ourselves in servicing and maintaining the properties and for the invested family savings.

Whenever we have chosen to modify our units, we have endeavoured to keep our tenants' welfare in mind at the same time as achieving a reasonable rate of return. The improvements we have made have been welcomed, if not recommended, by our tenants even when rents were increased as a result. For example, in one building we replaced all the windows and insulated two outside walls when replacing collapsing stucco. In this building the tenants pay their own heat. The old windows were aluminum-framed and in need of significant repair. There were a lot of drafts and large heat losses through the aluminum frames.

Without some recourse to recover the costs of about \$15,000, we would not have bought new windows but simply repaired the existing ones as well as possible. We would not have added insulation underneath the vinyl siding. The exact cost savings to the tenant in electricity were not determined. However, the improvement in comfort was repeatedly praised. The cost of these improvements represented 12% of the total value of the property purchased

two years earlier. The rent increase in total was 9.8%, which is about 5% above the normal increase.

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The second example is a building severely damaged by fire accidentally set by a tenant who is now living in the same rebuilt unit. The fire insurance on the building only covered the depreciated cost of the structure, leaving a \$5,687 shortfall. Before construction began, I was given the choice of taking the amount of the claim to a builder of my choice. With that money I might have been able to restore the units to building code, but not near to the quality and comfort they now have. The extensive reconstruction required as a result of the fire also afforded me an opportunity to make some very beneficial improvements at a very small fraction of what the cost would normally be.

One improvement was to insulate under siding on walls damaged by fire. Another was to change the layout in one unit to allow better heat distribution and better utilization of a limited floor space. We had wiring brought up to today's standards in the same unit. Two more electrical panels were changed to allow for future improvements in the two undamaged units of this building. In total, we invested \$9,382 in this building to be amortized over 15 years. Now as a result of Bill 4 we cannot expect to recover these costs. We made these spending decisions in June and July of 1990 based on regulations in existence at the time. In view of the types of improvements made, I do not believe it is unreasonable to expect to recover these costs, nor is it unfair to the tenants. The absolute maximum rents for these one-bedroom units would be \$202 and \$229. Had Bill 4 been in force as it now stands we would have found it necessary not to make these improvements. We might have sought to restore the building to the bare minimum required or torn down the two damaged units or possibly the whole building. This would have meant that two or four very affordable units would have been lost to the market. If Bill 4 is enacted unchanged we will have to compensate with our employment income as we were already in a financial loss position on this building.

I believe that I have clearly illustrated in two actual examples how Bill 4 can deter appropriate capital expenses that on the whole benefit the tenants well compared to the cost. I know of other examples of planned improvements already delayed or cancelled directly as a result of Bill 4. This bill, I feel, will shift the economics such that many more buildings will be demolished and rebuilt from scratch instead of restored, with the result of much higher rents.

As buildings age the repair costs and upkeep costs rise. With Bill 4, landlords will strive harder to reduce repair costs, leading to less effective short-term solutions. They may even try to withdraw the capital from some problematic buildings as they let them depreciate to the point of no return. This approach may simply be necessary for some small investors who do not have other business profits to offset the rental income losses. Even if major repairs are not abandoned, simply delayed, serious inconvenience can result for tenants. More slum buildings and less affordable housing will be the end result. In Sudbury I believe that most landlords operate on a relatively small scale com-

pared with southern Ontario operations. Small landlords have invested in their own community, often in hard times when large investment companies and lenders show little interest. We survive in lean times by doing as much maintenance as possible by ourselves. As small, unincorporated investors, we are the most vulnerable to the negative effects of Bill 4. The retroactive effects are unnerving.

We cannot afford to invest lifetime savings, including funds for retirement, in what may be a far too risky business, a business that will not permit any flexibility to soften the effects of a myriad of unpredictable problems. These higher risks will also demand a higher rate of return for future investors. This will certainly lead to higher rents in new buildings or converted private residences. A reduction of small investors, probably among the most efficient, from revenue housing can only be viewed as a negative factor, especially for northern communities. As more small investors switch over to other investments such as those offered by banking institutions, I venture that much less of their capital will stay in the northern communities where it is badly needed. Small landlords often develop a very good rapport with most of their tenants. Good co-operation is often experienced with tenants in dealing with problems of mutual concern. Flexibility and compassion are not uncommon when approached openly up front about problems, even including paying rent.

In short, our business is a very personal one. Many of us appreciate the value of some form of rent control, especially in times of housing shortage, but it must be used in conjunction with positive solutions. This rent control legislation in itself will not lead to more units being built as it attempts to deal with high rents, which are only a symptom of the problem. The problem is a shortage of rental units. I sincerely believe that the government's primary objective in this legislation is in the best interests of the tenants. I am also certain that the short-term benefits will be far outweighed by the negative effects later on.

First and foremost, the retroactive approach will almost certainly deter investment in this sector. I believe it could set a disturbing precedent that will discourage investment in many business avenues across Ontario. It will unfairly harm many investors who acted honestly and in good faith.

Second, the blanket approach to capital investment will turn many investors away from restoring structurally sound buildings, which will lead to a waste of scarce resources this province cannot afford. Certain structural improvements could lead to extending the lives of good buildings, again economizing on resources. Some consideration should be also given to rising repair costs for older buildings as it is far less expensive than new construction.

If any member of the committee or those they choose to represent them would like to examine the buildings I have used as examples, I would gladly help them. I believe I can rely on the co-operation of the tenants.

Bill 4, in effect, paints all landlords with the same brush as excessive profit-takers without consideration for tenants. This generalization is no more appropriate than others about dentists, engineers, plumbers or even politicians. Do not penalize all landlords for the behaviour of a few. Let us work together for solutions. As Bob Rae has

repeatedly spoken of, there is a partnership between business and government.

Mr Mammoliti: I just want you to elaborate a little more on the problem you have had with the fire in your unit and why you cannot recover any moneys, and relate that to the application that you have.

Mr Twilley: Okay. I have commercial insurance on the property and it only covers the depreciated cost. When they rebuild they cannot rebuild the same condition it was. New construction is new construction, and insurance companies do not insure you for that on a commercial basis. And so in a sense the building has been renewed not through choice but through the fire. I might have been able to go and say, "Well, look, just cut out the burnt siding and replace it with something that looks almost the same and on the two sides and save cost that way," and possibly gotten away without this shortfall. I was not sure I could do that. I did look at the possibility of tearing down two of the units but there might have been a problem getting the insurance to cover the reconditioning and clearing away of the old building. And if I had torn down the old building, which would have left me actually in a better economic position than I am now, and just taken the insurance, I would have put two people out on the street who badly needed the apartments: an old, retired man who could not afford any other place that is available on the market and an Indian and his wife who has been on disability pension for years.

Second, it has provided an opportunity. To add insulation when you are putting new siding on, the cost is a very small fraction as opposed to tearing off siding, putting insulation on and adding it. So it became economical as a result of the fire, where it was not before. The buildings are heated with gas space heaters, quite safe, and they can be effective if the layout is sufficiently open. In one building, the two doors were sort of a triangle out of the wall and it was very difficult for the heat to get into the small areas, and the way the doors are set up the small, limited areas in the thing, it was hard to position beds and what not.

So I made these improvements. Also, I was able to change one window that was not damaged sufficiently by the fire to require replacement. I changed it at the wholesaler's price of the window. He says, "Pay me for the window what it costs me and I will put a new window in rather than repairing the old." And this meant that I went to side-sliding thermal pane windows instead of the old double-hung windows with storms put on in the winter, and much better, much more efficient. I believe that the cost saving in gas is going to take care of a large portion, if not all, of their rental increase.

Ms M. Ward: You own two small buildings.

Mr Twilley: My wife and I have a total of 23 tenants.

Ms M. Ward: In two buildings, you own 23 units.

Mr Twilley: Yes, my assets.

Ms M. Ward: I would just like to comment that I see a big difference between the small landlord like yourself and the large complexes such as I have in my riding, one complex with 1,300 people in three buildings. Two weeks

ago I spent about 10 hours over there dealing with problems. Do you have any suggestions for us as to how to deal better with the small landlord and still take care of the problems that we are having with the very large landlords who are not in touch with their tenants, such as you are?

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Mr Twilley: One of the areas where they are talking about these excessive increases that were due to cosmetic things—I understand that in order for this to be economically positive, the thing to do was the rapid amortization rates. Possibly we could put a limit on. That might be one thing. Instead of allowing things to be amortized over five years, there is a minimum number of years it has to be amortized over, and then that can get away—as mine is amortized over 15 years, I cannot. My investment really was just more or less the adding of \$10,000 to this building. If I had been allowed the rent increase, it may have increased the value of the property by \$11,000, \$12,000.

Mr Brown: You are just one of many small landlords who have come before us, and I would suggest you are one who is going to be very much hurt by Bill 4. And in discussing the large landlords vis-à-vis the small landlords, we have been told even by the large landlords who have come before this committee that, while this is not to their liking and they are not happy with this legislation, because of their size and because of their diversified portfolio, they really can deal with this legislation reasonably well in the interim. But it is the small landlord, the real people—you did not come in a stretched limousine, I just know it—you are here and you are the one who is going to be affected. We have heard of people who are going bankrupt. You have not suggested that is going to happen to you, but it is going to be a severe financial hardship to you and your family. Can you suggest to us any outs along the lines that Ms Ward suggested? What can we do to accommodate your specific interests here?

Mr Twilley: Well, I think that we have to recognize certain types. I think that there is good economic efficiency in restoring some old buildings and in upgrading old buildings, and I would love to show you the buildings to see the difference between an old and the new. I think we have got to allow for capital expenses in those ways and encourage them. And I think this retroactivity really destroys confidence in the government's recognition of what is important in business. And although I am not really a big businessman, I analysed this on the basis of business when I approached it and I took choices that were for the benefit of my tenants; hopefully, their cost savings came close to the rent increase. And I think the retroactivity destroys confidence in investment. I would be hesitant to invest in other areas as well as rental housing.

Mr Brown: Assuredly, I note the retroactivity is the most repugnant thing to anyone in the business community. It is not just landlords who are being very disturbed by this proposed legislation. Although I have heard some hopeful signs today that maybe they are going to entertain real amendments next week, I really would hope that we can move forward and eliminate totally the retroactive provisions

of this so that we can get on with providing a good rental stock for the people of Ontario.

Mr Twilley: I hope this is done quickly because the government speaks of some breathing space for it to figure things out. This breathing space is a suffocating period for a number of landlords.

Mr Brown: Really, what the government is suggesting right now is that, "What we're going to do is bang your head against the wall for a couple of years and hopefully when we stop, you'll appreciate it."

Mr Tilson: I was interested in your comments about energy conservation with windows. I did ask a question on behalf of the PCs back in the fall of the Minister of Energy as to whether or not she felt that her policy of making buildings more energy-efficient conflicted with the policies that were being suggested by the Minister of Housing, and her answer was that she would talk to the Minister of Housing. I have not heard what those discussions were and, of course, I am looking forward to it.

I will say, though, sir, that my prediction is, as you know, the green paper that is coming out on Monday that is going to be presented to this committee by the Minister of Housing will talk about the more permanent legislation and I do not think for a minute that this breathing space is going to be a breathing space at all. I think it is going to be a continuous space, and it troubles me. I would like to know where you think that the people in Sudbury are going to go if this so-called temporary legislation becomes permanent legislation.

Mr Twilley: I cannot say. We will struggle by; we will find ways of economizing—it is those or this. I am unincorporated. I have not got a choice. I cannot sort of say well, I can abandon this and let the business go under, because if I get caught in a continual squeeze on my finances I lose my house, which I mortgaged to buy properties. I would lose everything I have. I would lose everything I had hoped to help my six kids get a kickstart in life. This is what I look forward to; there is a retirement and helping my kids get established so that they have a foundation to work from. I do not know. I will have to find some ways of economizing because the finances and the money is not there. I do not know what else is in the green paper. I do not know what else is going to come down in there that will make things even more difficult. I do not know. I had certainly stopped any consideration of additional purchases and I am presently trying to sell one unit, hopefully, to get out before I lose—

Mr Tilson: Before the crash.

Mr Twilley: Yes.

The Chair: Mr Twilley, thank you very much for your presentation today.

Ms Poole: Mr Chair, while we are waiting for the next presenter to appear, might I make a request of the clerk, with the permission of the committee? We have heard a lot of presenters over the last week, and many of them have indicated a real interest in the long-term process. The document is available on Monday. Could we ask the Ministry of Housing to provide sufficient numbers of this document

to the clerk so that every person who has presented a brief to our committee or who is on the waiting list should be provided with a copy of the long-term consultation paper? Would that be agreeable?

The Chair: Sounds reasonable.

Ms Harrington: Personally, at this moment, I am not sure exactly the distribution system that has been planned. I know that the briefs are going out and I am not too sure exactly to whom, but this seems a very good suggestion, and I would like to recommend it.

Mr Tilson: I am glad Ms Poole raised that because I think, trying to look ahead to the week after next, where we had discussed perhaps asking invited people to come to make presentations, the three parties have agreed to that process. I have difficulty, however, as to how that is going to come about. In other words, the number of copies of the green paper that are going to be made available to members of the public, is it going to be a limited number or how do they propose to distribute the green paper to the public?

Ms Harrington: I am saying at this moment I could not tell you the exact details. I know there is a distribution process that they talked about. I cannot give you exactly what it is. Are the ministry people here? Oh, good.

Mr Tilson: Just while she is coming, Mr Chair. I appreciate that, but I for one have not canvassed anyone who I think might be useful to come and make presentations on that because I do not know when it is going to be made available, how it is going to be made available and how many copies are going to be made available.

Interjection: Which means we will get ours Wednesday.

Ms Richards: Perhaps I could address some of those issues.

The Chair: Please.

Ms Richards: We certainly can undertake to make a copy of these, of the paper, available to everybody who has made a presentation to this committee, and we will indeed put them on the list. We have a number of ways that we hope to reach the public with the discussion paper and it will be released on Monday. The minister intends to bring it forward to this committee. Anybody who has made a formal presentation in the past is on the waiting list already for distribution. We will have a hotline for people to call and ask for a copy to be sent to them. There will be copies available in our local offices and—

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The Chair: I think Mr Tilson's question was, do you have a substantial list already made out that you are sending out 2,000 copies or 5,000 copies? Does that exist?

Ms Richards: Yes, indeed, we have a list that we are preparing and there are several thousand names on the list already.

Mr Owens: Will all members of the House receive copies at their constituency offices or how will that work?

Ms Richards: Yes. They will be receiving copies.

The Chair: That is a very good answer.

Mr Tilson: Do not go away. You just talked about the process. Are you prepared to tell the committee what recommendations you have for this committee to participate in that process other than the two or three days that are being considered?

Ms Richards: I am afraid I could not make any comments like that. I do not have any recommendations for this committee at this point.

Mr Tilson: It just seems that the minister has asked this committee for comments and I assume there will be more time allowed before he prepares a bill other than the three days that—

The Chair: That will be up to the committee members to decide, Mr Tilson. The staff cannot appropriate our time. We will have to decide ourselves.

Interjection: We are outvoted.

Mr Tilson: Sorry I asked.

The Chair: Order. If the committee will allow me I am prepared to make some recommendations, but since all my previous recommendations were shot down I am not going to do so unless you ask me.

Ms Harrington: We can discuss that on Monday with the Management Board.

The Chair: Unless you ask me. I am just having a little fun.

MAURIZIO VISENTIN

The Chair: Maurizio, you are the last presenter for this afternoon. We need you to identify yourself for the record, whom you are representing, and you have been allotted 20 minutes, 10 of which is oral presentation and we reserve 10 for questions.

Mr Visentin: Mr Chairman, before I begin, I would ask you some leniency of about 30 seconds on my 10 minutes.

The Chair: No problem.

Mr Visentin: In my speech I will identify who I am representing and I will identify myself. First of all I wish to thank you for permitting me the opportunity to express views in reference to the government's proposed Bill 4.

My name is Maurizio Visentin and, beyond representing and speaking for myself, I am also expressing and representing the views of four other family members who, in the spring of 1987 after a few years of consideration, made a decision to enter the property rental market as small rental property owners. As five members of a family, my parents, a sister, my wife and myself, who are listed in the brief, we purchased two apartment buildings totalling 24 units. We invested combined life savings and mortgaged our homes to undertake the purchase.

The prime motive for our purchase was, and still is, a long-term investment directed towards my father's retirement. At the time, my father was 50 years old and he had another 15 years of work prior to reaching retirement age. His work, in the construction industry as a carpenter, has taken its toll on him. His family physician and specialist advised him to stop working altogether because of irreversible damage to his hands due to mine work and outside

construction work. As a family we thought that by investing in rental property our father could perhaps retire a few years prior to the age of 65, avoiding complete loss of the function of his hands and have him maintain the buildings.

Bill 4 and rumours of impending legislation completely wipes out our contemplations and plans. Our initiative to be independent and self-sustainable has completely been wiped out by the present government's intentions. It appears my father will have to continue working in the harsh winter climates and physically strenuous construction industry until the age of 65, if he makes it that far, so that as a family we can avoid financial ruin and continue to subsidize this government's policies which stem not from a realistic approach to the housing industry but rather a reaction to a reminder from a large voting block that if they not maintain their campaign promises, that large voting block will remember it in the next election.

I trust there is no question in your minds, ladies and gentlemen, where we stand on Bill 4 and proposed legislation in the field of property rental market. The present government, given its present course of legislation, should rename itself the Non-Democratic Party.

As I examine the composition of the government's committee, it is very evident that you are answering the demands of a vocal constituency. The very composition of the committee is unbalanced. Would it not have been more appropriate to have a member from northern Ontario? Are you, perhaps, affirming that the problem at hand is a problem with southern Ontario? It is time northern Ontario be recognized legitimately as a separate area with its own concerns.

In your Election 90 campaign paper, released 18 August 1990, you claim, "Tenants across Ontario have spent the last three years fighting a Liberal rent review system that gives to landlords with both hands." Such an approach to directing people to confront the critical problem of housing in Ontario is confrontational from the outset. It rings of the old phrase, "The history of all hitherto existing societies has been the history of class struggles."

That type of thinking and mentality, ladies and gentlemen of the government side, has been long refuted. To portray all rental property owners as bad and all tenants as good is simple overgeneralization and emotional reasoning.

There is a housing crisis in Ontario, but rental property owners did not create it. This province's present government and past governments have created it. The rental property owners of this province have, by and large, been conscientious solvers of the problem, not contributors to the problem. The government's present attitude towards rental property owners is one of using them as scapegoats for a problem the government cannot handle. When unable to handle a situation, many governments turn to a portrayed evil scapegoat. Ladies and gentlemen, what is in store for the rental property owners of Ontario after Bill 4? Will it be concentration camps, and then what?

As a family of small property owners, my family and I have put in thousands of hours of work to upgrade the properties we own. Anything that we can do to maintain costs at a minimum, we do it ourselves. Like most small landlords of this province, we scrub floors and walls,

spend weekends and holidays carrying out maintenance, get up early and go to bed late to assure that walkways and parking lots are clear of snow and are salted and sanded. We have so far owned our properties almost four years and yet every year invested our own personal earnings to meet expenses. As unfair as the existing legislation introduced in 1986 may seem, it is at least fair in that it recognized that rents are not geared to permit rental property owners to carry out all aspects of maintenance and capital costs and still maintain a fair return.

In our ongoing plan to improve the quality of accommodation for our tenants, following existing legislation, we spent, at the request of tenants, over \$10,000 from July to October 1990. At the request of tenants, we furnished a number of apartments with good-quality used fridges and stoves, where the Ministry of Housing's order clearly states that the unit's rent does not cover fridges and stoves. The tenants were provided with all required documentation and were even given an estimate as to the rent increase that would be incurred due to their additional service request.

With the implementation of the retroactive element of Bill 4 we find ourselves in a situation where we have provided a service requested by tenants for which they do not pay any rent. Is this fair? We have used our own personal earnings to purchase the services with the clear understanding under the existing and still existing law that said service would be remunerated in an increase in rents. Now under the proposed Bill 4, which is not law but is being treated as law, we cannot ask for a rent increase for the services provided. In fact, we are advised by our tenants that the Ministry of Housing locally has told them that we cannot remove the appliances and we must continue to service them if they break down.

Ladies and gentlemen, you propagandize that tenants subsidize rental property owners. The situation created by Bill 4 and its retroactive element has forced us to continue to further subsidize our tenants. Is this fair?

Mr Mammoliti, I would appreciate it if you could stay and listen.

Furthermore, is it fair to other tenants who are paying for their services? Ladies and gentlemen, under the provincial election expenses act you find your election expenses—

The Chair: Order, please. We have a point of order.

Mr Mammoliti: Point of order, Mr Chair. I am really sorry, but I do have a plane to catch and it is unfortunate that I cannot stay, but I have no choice.

Mr Visentin: Then I trust you will carefully read the brief.

Mr Mammoliti: I have got it and, as I have been doing, I have been reading all of them and I will read yours. Thank you.

Mr Visentin: Thank you. It is just that I saw a name that I could pronounce in Italian; I thought I would take advantage of it. May I continue?

As I was stating, ladies and gentlemen, under the provincial election expenses act you planned your election expenses and once the election was over you were publicly reimbursed for some of your expenses. Bill 4 to the rental

property owners of this province is the equivalent of having the existing government change the election expenses act and have it apply retroactively so that you could not collect the full amount due to you. Would this be fair?

The present government is unrealistic to expect rental property owners to provide proper housing without allowing them to operate in a free market system. Two years ago we had a tenant on social assistance who skipped out without paying \$1,300 in rent. We were told: "That's the system. Take your losses." She was getting her social assistance. We did not have access to it. There are many risks in the rental market. We can accept those risks. We cannot accept unfairnesses.

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One of the two buildings we own is presently 20 years old. We have so far managed on our own to patch a number of roof leaks that could have cost several thousand dollars in repairs, but in the next few years the roof will require replacement at a cost of no less than \$30,000. Even if we had owned the building from the day it was constructed, the amount allocated to capital costs under rent increases is not sufficient to accumulate the required repair costs. The building also requires external brickwork since our extreme northern Ontario winter weather conditions can cause bricks to break apart. The replacement of some 250 bricks plus work along terraces and other exterior parts of the building is estimated at \$5,000, and the list of maintenance and capital costs goes on.

Rents at \$436 per month cannot cover such costs. If you think they do, I would suggest that members of the government caucus who presently rent a second residence in Toronto consider pooling some of their money together, purchase a few apartment buildings, live in them. If rental property is so inexpensive to maintain, so profitable, then you will save money from what you are presently paying to the property owners you call landlords and characterize as greedy people. I suggest you appoint someone to be in charge of the property and rotate the responsibility to truly savour all of the joys. Please call him or her when your fuses or lights burn out or when your toilets plug up. When you accumulate enough profits—and according to your version of rental property ownership, that should be overnight—why not buy a few buildings and rent them out to the opposition?

Members of the government claim landlords are profiteering from tenants. The private sector is providing the most affordable housing on the market. In the non-profit sector of rental housing the average rent for a two-bedroom apartment is roughly \$612 plus utilities. This may seem like a favourable figure, but for non-profit housing projects the provincial government provides grants for 10 to 15 years to keep unsubsidized rents at an affordable level and further provides grants for ongoing management and maintenance. So realistically, what is the true rental price? In the public housing sector the Ministry of Housing will provide to the Sudbury District Housing Authority nearly \$5 million this year for maintenance and minor capital repairs to 1,900 units. To this one must add the administrative costs. That means that each unit costs nearly \$2,500 to maintain per year plus administration. When

major capital expenditures are undertaken, the costs are considerably higher. Why are there two standards? The government expends massive amounts of money to keep up its rental properties and yet it tells the private sector it must carry out capital expenditures purely and solely from rents without seeking increases.

Between October 1987 and October 1990 the cost of a two-bedroom apartment in Sudbury rose by \$54. As I analysed CMHC reports for Sudbury for the past five years, all figures fail to indicate an astronomical increase in rental prices. The sum of \$50 per month over three years is more than realistic.

The figures that I presented to you on page 10 clearly point out that it is not shelter that is eating away at Canadians, at Ontarians, at Sudburians, at Torontonians; it is taxes. Shelter consistently in 1988 dropped in cost. Shelter in 1989 dropped in cost. Taxes rose, ladies and gentlemen. From 1 August 1985 until 31 December 1990, a total of 449,671 units in Ontario received increases above the guideline. The average increase for these units was 11.1%. That is roughly 6.5% more than what was allowed by the guidelines.

Ladies and gentlemen, the statistics I have presented clearly demonstrate a different picture from the bellicose self-serving rhetoric the government has been spreading.

Ladies and gentlemen that are remaining on the government side, has your government carried out an impact study to properly assess your assertions? And I wait for an answer. Has it carried out an impact study? I trust your lack of answer is a no. Why? Because Ministry of Housing figures reveal that from 1 January to 31 October 1990 74% of all units in Ontario did not apply for an increase above 4.6%; only forty-four hundredths of 1% received increases in excess of 30%; twelve thousandths of 1% obtained increases of 100% or more. Fabrication of the facts by a party, by a Premier? I would like to get an answer from that, hopefully.

Your claims of abuse by rental property owners are irresponsible, an outright creation for media hype for self-serving purposes. Anyone who has appeared before this committee to date to say that he has had rent increases of over 100%, the Ministry of Housing does not have any records, so I would like to know where they got that, unless they were personally affected.

The Premier, along with other government members, has hinted at devaluing the private rental property market and then buying it out. Ladies and gentlemen, how many new apartments will you have created by buying out the private sector? Creative mathematics. By the way, some 10,000 families in Toronto and thousands of families across Ontario go to bed hungry every night. Will you be placing price controls on the food industry? Sudburians are paying higher gas prices than any city in Ontario. Will you mandate price controls? If Inco and Falconbridge curtail their workforce due to the declining economy, will you nationalize them?

This government did not discriminate in seeking help from landlords to get elected, yet once in power it turned on them and discriminated against them. You took with both hands and once in power you stabbed while our backs

were turned. I am not going to apologize for calling you back-stabbers. I am a former supporter of the NDP who campaigned for years for this party. I campaigned locally for Bud Germa, if you recall who he was, and the Martels I have shaken hands and conversed with the Lewises, Mr Cassidy, Mr Broadbent, and I can call up Audrey any time and speak to her or her secretary. Well, not every time. I can assure you that there are many former supporters of the party in government who will not forgive it for its present actions. Just remember, you do not have a copy-right on righteousness.

If this government wants to take the right approach to solving the problems associated with the rental housing industry, it will abandon the retroactive elements of Bill 4. The small landlords of this province cannot live in lull land for two years while you contemplate a Band-Aid solution to a political promise conceived for electoral purposes.

I have enclosed submissions of letters sent to various MPPs, some of which have not received any type of a reply, and I trust that you will read them. I want to apologize if I have raised my voice. It is my normal speaking tone when I get excited. I mean that in sincerity.

[Interruption]

The Chair: Order.

Mr Visentin: I may answer that I was asked by local organizers of the NDP on several occasions if I would consider being a candidate. I am thankful I have reneged on that.

The Chair: Order, please. Order. That has nothing to do with Bill 4.

Mr Visentin: I would have provided a different view, perhaps, on it.

The Chair: We have one minute for each party.

Mr Brown: I will be first. A very enlightening presentation. I guess we, over here, see it much the same as you do. First the government has made a number of assertions about this bill and has provided exactly zero evidence that any of it is the truth. In fact, we have asked the Ministry of Housing to come before us with numbers. Either they do not exist or they completely refute the government's case. One of my colleagues made a very eloquent speech in the House about NDP election promises, and what he said was, "They can't possibly keep all their promises, and probably no-one wants them to. The difficulty they have is deciding which ones to keep and which ones not," and I am with you. What they are doing is they are keeping the wrong ones. As a northerner, and I am a northern MPP—

Mr Abel: That is a political comment.

Mr Visentin: But thankfully not of that side, and that is what I was referring to.

Mr Brown: I can think of some promises I would like them to keep. I would like the 60% school funding that we found out yesterday is some kind of silly election promise. I would have liked them to spend \$100 million on the Trans-Canada Highway this year as they promised, across northern Ontario, and I am looking forward to Mr Laughren announcing the \$200 million for the north in his budget of this spring. I have a feeling we are not going to

see any of that. In other words, they are keeping the wrong promises.

Mr Visentin: I would tend to agree with you.

Mr Tilson: I congratulate you on your speech, and depending what your other policies are, if you ever want to come and write speeches for the Tories, we would be glad to talk to you. I will say that the very questions you asked about impact studies is a question that I asked in the House at the very outset when this whole policy was introduced, and the minister, at one point, said he had them and I am not too sure whether he does or not. I do not think he has or we would have seen them by now. We are asking the staff to produce things, and they just do not have them. So I think if you are asking this committee have we seen anything, we have not seen anything and I do not think there are.

Mr Visentin: I have a feeling he probably forgot them in Florida last week.

Ms Harrington: Thank you very much for your presentation. It was quite an experience, and I thank you for this paper. I did want to make two comments.

First of all, you call this basically a political promise conceived for electoral purposes, and I would like to deny that. I really feel that the mandate of our government is to look at some very serious situations in Ontario and one of them is the rental housing situation, that we want to find a solution to it, and it is not easy at all. And the second thing I want to say to you is, on the two-year period, we are hoping, the way we are pushing this through now so that next Monday we have the green paper and discussions starting on that, then consultations all through the spring and trying to get the legislation in place this year with all the regulations by the end of the year, but it will not be two years, that we will have a workable system that landlords

can work with and that we can work with and tenants can live with.

Mr Visentin: If I may make two comments on that, I can appreciate your view, but I think you have chosen the wrong people to address at this time. I am a small landlord. I am part of a group that has purchased into a building. We have put life savings. We have provided services that are not covered under the existing order. Is it fair that the tenants ask for those services, they are enjoying those services, and because of your pending legislation I cannot get reimbursement for that? Is that fair?

Ms Harrington: I understand what you are saying.

Mr Visentin: Your Bill 4 does not address that. It says, "In the next two years we'll come up with a solution for you." I appreciate that, but would you like to put \$10,000 on the table and let me walk away for two years with it? It does not solve my problem. Furthermore, I realize that there are landlords who have abused the system, as I pointed out in the paper, what, 1%? Three per cent of the Canadian population abuse the social programs. Is your party prepared to remove all social programs because of 3%? Why should all landlords be penalized? Why does the NDP not resign because a couple of members of this government were up on possible charges and election irregularities at the beginning? You have two or three and you are saying, "Well, we should all resign." I did not see Mr Rae undertaking that.

Ms Harrington: The problems are much broader than the 1% you are talking about.

The Chair: Okay, Maurizio, thank you very much for your presentation. That completes the committee's work for today. We are travelling to Ottawa tonight and the committee will commence hearings again tomorrow morning at 9 am in Ottawa.

The committee adjourned at 1612.

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Le jeudi 14 février 1991

Standing committee on general government

Residential Rent Regulation
Amendment Act, 1990

Comité permanent des affaires gouvernementales

Loi de 1990 modifiant
la réglementation des loyers
d'habitation

Chair: Remo Mancini
Clerk: Deborah Deller

Président : Remo Mancini
Greffier : Deborah Deller

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Thursday 14 February 1991

The committee met at 0902 in the Westin Hotel, Ottawa.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

LOI DE 1990 MODIFIANT LA LOI SUR LA RÉGLEMENTATION DES FOYERS D'HABITATION

Resuming considering of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

Reprise du l'étude du projet de loi 4, Loi portant modification de la Loi de 1986 sur la réglementation des loyers d'habitation.

The Chair: I see a quorum. Good morning. This is the standing committee on general government. We are having public hearings. We were in Sudbury yesterday, and today and tomorrow morning we will be in Ottawa to hear presenters. The committee is hearing consideration of the Residential Rent Regulation Amendment Act, better known as Bill 4. We have a full day and evening planned for these particular hearings, and also tomorrow morning.

THOMAS KELLER

The Chair: The first presenter is Thomas Keller. Mr Keller, for the record, we need all presenters to identify themselves and whom they are representing. As the clerk has previously told you, you have been allotted 20 minutes, 10 minutes of which can be used for an oral presentation. We will reserve 10 minutes for questions from committee members and that will be shared by the three political parties. The floor is yours, sir.

Mr Keller: Good morning, ladies and gentlemen. I am Thomas Keller and with me is my wife, Veronica. We represent a landlords' group.

My wife and I came to Canada from Czechoslovakia 20 years ago, practically without a cent. I was fortunate that my university degree was accepted in this country and I was able to find work. Not knowing English well enough, my wife, a former teacher, had to start as a waitress. She learned new skills in photography and then worked as a photographer on her own. We worked hard and saved.

We decided to invest our savings in rental housing, mainly because I am an architect and so I understand buildings, construction and the building trades. We started 10 years ago with a small five-unit property which we still own. In 1989 we bought a 30-unit apartment building. I am a full-time employee in the federal civil service, but when needed I work evenings on repairs and improvements in our building. My wife manages the 35 units we own.

Interestingly, some tenants have larger incomes than we have. Yet we have to subsidize their rent, because the

rents we collect do not cover our expenses. Before we bought the building, we calculated that this deficit would disappear over a number of years through the rent review process and we would then have a modest return on our investment. We took advice about the rent increases available and planned our investment accordingly.

If rent increases are restricted again, as Bill 4 will do, then we will run out of the money we set aside for the projected losses and may lose the building to the bank, along with all our life savings. We strongly suggest that you leave financial loss allowances as they were, at least for people like us who have already bought a property. It is unfair to change the rules after the commitments have been made.

We will also be badly affected by the proposal to eliminate equalization. Because of the pre-1987 rent review rules our legal rents are very unequal. The Residential Rent Regulation Act allows the ministry to equalize rents for similar units, and the order we have provides for this. Relatively low rents are raised up to 5% extra, while relatively high rents are raised less than the average amount. Equalization does not allow us any extra legal rent in total.

At the end of this brief, there are the following attachments. There is attachment 1; that is, a schedule with unit description and equalization from the rent review order dated 22 June for our building. There is an equalization adjustments calculation sheet, then a sheet showing rents by unit type. The last two attachments are irrelevant, the Residential Rent Regulation Act section and the section from Bill 4.

Attachment 1 shows the adjustments that were made in the rent review order we received in order to equalize the rents. Now this is not quite clear, so attachment 2 shows the increases and the decreases in separate columns, and each column is added up. The total of extra-dollar increases is \$269.97. The total dollar amount of equalization decreases is \$270. I do not mind paying the three cents.

Attachment 3 shows the rents in our building grouped by unit type and the average rent for each type of unit and the equalization adjustments that are included in those rents. The last column, which is titled "Applying section 100f of Bill 4—Rent if no equalization allowed," shows what our order would have been if equalization had not been allowed. You can see that the rents that are low, even with the equalization, would have been even lower, and rents that are high with equalization would have been higher.

We want equalization because it lets us straighten out rents that are uneven. Some tenants are upset to find their neighbour is paying less for the same apartment. They will blame us, when it is the fault of the rent review system not allowing equalization. I understand that equalization was eliminated in 1982. However, the tenant representatives

wanted it restored. This was their position both before the Commission of Inquiry into Residential Tenancies, the Thom inquiry, and in the Rent Review Advisory Committee. Equalization was restored in the Residential Rent Regulation Act.

0910

Knowledgeable tenants understand that equalization is not equalizing up to the highest rent. It is in fact equalizing around the average new rents. Knowledgeable tenants generally support equalization because it is fairer. The tenants with lower rents pay a higher increase, but still pay a lower rent until equalization is finished. The higher increase is because they have been paying less in the past.

If there must be a moratorium, equalization should be allowed to continue, both in new orders during the moratorium and in notices of phase-in.

I would like bring your attention to attachment 3. If you look on lines 28 to 32, those are five two-bedroom apartments which are identical, and the 1990 rent, as per the order, ranges from \$555 to \$900, which are 16% below and 36% above the average respectively. If the equalization was not applied in that order, the lowest rent, on line 28, would be \$530—that is, another \$25 less—while the top one would be \$50 more than the \$900, at \$950. If I extend this, in three years, applying just for the example, the 5% every year, the lowest rent would be raised from \$530 to \$616, which is still below the average of 1990 for a two-bedroom apartment—and it is well below today's average Ontario rent for a two-bedroom apartment—while the top apartment, on line 32, the most expensive, would in three years be around \$1,100. The increase would be \$150 compared to the \$85 increase in the cheaper apartment.

If the equalization is not applied and only the fixed or predetermined percentages are applied, then the higher-rent apartments are gaining much faster than the lower rents and the gap between the low and high is actually increasing rapidly.

That is all I have to say.

Mr Tilson: Sir, I am sure you may or may not have read or heard of the Premier's notorious interview in 1989 where he indicated his position, and presumably his party's position, which has not yet been denied, that the government of Ontario essentially plans to take over all the housing stock. In other words, the emphasis would be on non-profit housing as opposed to encouraging private enterprise to build new apartments or to encourage private enterprise to continue to maintain its housing stock.

Specifically, he was asked a question on the Swedish model which I have read to other witnesses and would like to read to you or other applicants making submissions to this committee: "Over the long term, you would like to see Ontario and perhaps Canada generally moving to something more like the Swedish model where there is a very small percentage of private ownership." Mr Rae's response: "Yes, that makes a lot of sense to me. What we would want to try to do is to eliminate the unproductive speculative element in the economy as much as we possibly can. My model would be one where you have a very

substantial non-profit rental sector which would be dominant."

Having heard those words, and obviously being a representative of the private enterprise system, what do you think of the government's position on that?

Mr Keller: I think the government would be better off leaving it in the hands of the private persons if it is going to go ahead with Bill 4, because the private industry has to come up with money to sink into that rental housing because it is a losing proposition now. If the government wants to take over, it would be facing losses.

Also, I do not quite see how there could be a healthy competition between government and private enterprise in the same area, the government having practically limitless resources.

Mr Tilson: You indicated you represent a landlords' group. Which landlords' group?

Mr Keller: I am on my own.

Mr Tilson: Oh I see, just an expression.

You indicated that as a result of the Bill 4 legislation you are anticipating bankruptcy. How far off is that? How far can you hold out? Assuming that the position of the government is to go for its breathing space, or its moratorium as it calls it, with this restrictive legislation, how long would you go?

Mr Keller: I could go about two or three years—

Mr Tilson: Okay.

Mr Keller: —because when we bought the building we knew there would be losses and we set aside an amount of money. We also have a partner so we are not alone in owning this building.

Ms M. Ward: Mr Keller, thank you for your presentation. I would like to ask you a few questions. Would you consider yourself a speculator?

Mr Keller: No, I would not. I chose this line of business because, as I said, I am an architect and I understand this—

Ms M. Ward: You bought the building intending to keep it and maintain it.

Mr Keller: I see the advantage in having an investment like that because the income is not fixed.

Ms M. Ward: The reason I asked that question was because what Mr Tilson was referring to in those comments was speculation. The word "speculative" is in there. That is the reason I asked you the question. I did not think from your presentation that you were a speculator, that that was the reason you had bought it.

Mr Keller: Well, the first building we bought 10 years ago, we still own and live in.

Ms M. Ward: You still hold it and keep that as a business.

Mr Keller: We bought to hold it.

Ms M. Ward: So your main concern here seemed to me to be simply with the equalization payments from reading your brief. Is that true?

Mr Keller: There are two. One of them is that the expenses are not allowed, so I am losing on any repairs that I have to do.

Ms M. Ward: The financial loss.

Mr Keller: There is financial loss, and equalization as well. Because the lack of equalization represents losses for me. I show that rent, that \$900, which I cannot charge today, would climb to \$1,100 in three years while the market value is today about \$750. That would go right out of my pocket.

Ms M. Ward: So legally you can charge \$900—

Mr Keller: But I am not able to rent it out.

Ms M. Ward: —but the market will not let you rent it for that.

Ms Harrington: Thank you very much for coming forward this morning to talk to us about the situation here in Ottawa. We appreciate it.

I just wanted to clear up once and for all the record with regard to the comments Mr Tilson made, the contention of what Bob Rae is saying. To say that we want to take over all housing in Ontario is totally absurd. I am sure you understand.

0920

Mr J. Wilson: You cannot promise.

Mr Tilson: He did not deny it.

Ms Harrington: Mr Chair, may I have the floor?

What Rae has said that he is opposing is the speculative aspect of housing. That is very clear from what Mr Tilson read, and I am sure that even the Progressive Conservative Party would oppose the speculative nature of housing, because housing is a right. They have agreed that housing is homes for people. They are not just investments. So I think if we think long and hard about that, we could put that quote aside, because we want to put all the pieces of the housing market in Ontario together in a way that works. We do want landlords like yourself who are dedicated to providing good housing and making a fair profit, no argument at all.

I want to ask you, do you feel that the system that we have now, which is called the RRRA, is a system that works fairly for you and for tenants?

Mr Keller: The present one?

Ms Harrington: The present rent review system that we have had.

Mr Keller: I was not really joyous about it, but it was something that I knew existed and I could count on it.

Ms Harrington: I agree that every business person does need to know the rules, but we need a better system.

Mr Keller: I may not be around as a landlord until your better system comes along.

Mr Brown: Welcome to the committee this morning. Ms Harrington has just alluded to how bad the RRRA is. You realize that it gave tenants a 5.8% increase on average last year, that very few, a minuscule number of tenants faced grave rent increases under the RRRA. There has been, as we know, very little luxury renovations. At least, the government has not proven to this committee or to

anyone else or provided any evidence that luxury renovations have accounted for any problems. I wonder, have you done luxury renovations that have caused rents to increase in your buildings?

Mr Keller: No, we have just done the necessary improvement. In fact, I am doing most of the work myself. I counted up that if I had to hire people to do the work I did personally in the building, it would represent \$16,000 for the last year. So this is one way how I keep above the water, that I do most of the work myself.

Mr Brown: You have alluded to the fact that you have rent review orders in your hand today that say that you can pass through financial loss and that you made your financial planning on the basis that these orders were in place.

Mr Keller: If the order is upheld, I am okay. I set aside for the loss that was expected.

Mr Brown: What you are really saying to us here today, on that issue anyway, is that the retroactivity part of this bill, which reaches back as much, we know, as four or five years, is what is really horrendous. You played by the rules, you did what the rules required, you did not do anything wrong, and yet you are being penalized, perhaps forced to bankruptcy, because of the whim of a government that made some political promises.

As Mr Tilson has alluded to, we do not know what this government is about. It is all: "That was then and this is now. That was then. Mr Rae said something. This is now, but we're going to do something different tomorrow and we don't know what's going to be different tomorrow, we only know what's now." And we know that this does not benefit either tenants or landlords and can force huge conglomerates like you into bankruptcy.

Mr Keller: That is correct.

The Chair: Thank you, Mr Brown. Time has expired. Mr Keller, Mrs Keller, thank you very much for appearing before the committee.

Mr Keller: Thank you for the opportunity of speaking to you.

MINTO DEVELOPMENTS INC

The Chair: The next presenter is Minto Developments Inc. We will be following the same procedure. We need you to identify yourselves and who you are representing for the record, and you have 10 minutes for your presentation and 10 minutes for questions.

Mr Greenberg: Good morning, ladies and gentlemen. My name is Roger Greenberg. I am the newly appointed president of Minto Developments Inc. I have with me this morning our vice-president responsible for residential property management, Guy Godin.

I am grateful for this opportunity to present our views on Bill 4. I do not intend to read from the written documentation which we have presented to you, I would rather give a more simple message.

It is our position that we believe that Bill 4 is going to have very severe negative consequences for the citizens of the province of Ontario.

We are active members of the dominant, the large industry organizations: the Fair Rental Policy Organization

of Ontario, the main organization which represents landlords in this province; the Urban Development Institute, and other organizations. We fully support the positions that they have taken against this legislation, and I do not want to repeat them.

I would like to also introduce our executive vice-president, John Russell, caught in the snow from Kanata, no doubt.

Mr Godin: The other thing I want to mention is that we are also a member of the Eastern Ontario Landlord Organization and also a member of the Ottawa Region Landlords' Association, which will present briefs this afternoon.

Mr Greenberg: The approach I would like to take with the committee this morning is to present a little bit of the behind-the-scenes look at Minto, because I think that what is taking place at Minto today is a microcosm of events that are taking place around the province.

Minto is a family-owned business that has been active in the Ottawa region for more than 35 years. During that period of time we have built more than 30,000 homes, of which more than 10,000 have been rental units. We are currently the largest private landlord in the Ottawa-Carleton region. We have built all types of housing units, from limited dividend and assisted housing units right up to luxury rental accommodation. Our commitment to service and excellence has given us a widely recognized reputation for professionalism in this area.

Minto, though, like many other companies, is currently in a state of transition. Many of the so-called old guard developers of the 1950s, 1960s and 1970s, who were responsible for building the bulk of the rental housing stock currently in existence, are getting advanced in years and are beginning to turn over control of their companies to their children. The situation at Minto is that less than one month ago, the sole surviving active founder of the company, my uncle, Irving Greenberg, passed away and he has now handed the reins of responsibility for guiding the company to me.

My question is: What message does Bill 4 give to people like me and my peers in this industry? I say without equivocation that this government has no respect for private rights and clearly wants private industry out of the provision of rental housing.

Many of our buildings are now getting on in years. Many are 25 years of age and older. We pride ourselves on the amount of upkeep which we expend yearly on these apartments, but a point in time comes when you simply can no longer patch and repair and maintain.

We have been undertaking an ongoing program of capital repair over the last number of years. I headed a committee last spring to look at and finalize a program of capital replacement over last summer. We approved a program and spent the sum of \$7 million last year alone, 85% of which was for roof replacement, garage and balcony repairs. Not one penny was spent on so-called luxury items. Our criteria were what was strictly in the best interests of tenants and a long-term preservation of the housing stock.

Most of the work was completed before the election last year. Some of the repairs, some types of the repairs, I might add, were completed at a cost substantially below that which the Ottawa-Carleton Regional Housing Authority incurred for similar kinds of repairs.

0930

You are all well aware that we cannot apply for rent increases until after the work has been completed. I am not going to deny to you that when the election took place last year, there was some nervousness at Minto because of the stated policy of the NDP on rent controls, but we were greatly assured by the statements which the Premier made about opening a dialogue with private industry. I think at one point he said something like: "Let's get rid of the lobbyists. I have an open line; you can call me at any time." These statements were followed up by similar statements from the Minister of Housing, David Cooke.

I was part of a Fair Rental Policy Organization of Ontario delegation that met with the minister for one hour on 8 November 1990. One day earlier, the organization had issued a press release stating that the government had secretly decided to impose moratorium legislation. To that point in time, there had been no formal contact between the government and FRPO.

The first 10 minutes of the meeting that we held with the minister was a lecture from him not to call the press but to call him personally, that he was there to discuss matters with us and that he was open to dialogue. This was 8 November. He refused to discuss anything about a moratorium and we simply talked in very, very general terms.

Three weeks later, without any further consultation, out comes Bill 4. Since that point in time, there were no further meetings until approximately two weeks ago when there was another meeting between FRPO and the minister. Bill 4 would now be law if the opposition parties had not pressed for these public hearings. That is some consultation process.

In the meantime, we are being told by this legislation—

The Chair: Excuse me, who said that Bill 4 would now be law if there were no public hearings?

Mr Greenberg: It is my impression that in the absence of any public hearing, the government's timetable was to press forward with Bill 4 and I would expect that it would have been passed by now if the—

The Chair: I just wanted a clarification. I thought you were ascribing that to someone other than yourself.

Mr Greenberg: No.

The Chair: Thank you.

Mr Greenberg: In the meantime, we have now been told that we cannot recover the expenditures we made last year in good faith, notwithstanding that we did so in accordance with the laws of the land at the time. This retroactive denial of rights is patently unfair and brings into question fundamental justice in government process.

What are we going to do this summer? Am I going to spend another \$7 million on capital repairs for which recovery will be denied? All major repairs have now been put on hold, except for safety-related structural repairs, until the permanent legislation is clarified.

The deeper problem, though, is that this government is sending a clear message to people like myself: Get out of the rental housing business.

I will not sit here today and tell you that the withdrawal of Bill 4 and even, hopefully, the eventual elimination of rent control will immediately mean an instantaneous explosion of rental construction. As the government itself is now recognizing, the issue is indeed very complex. What I can guarantee is that if this legislation moves forward, there will be no additional private rental construction under the current legislative climate and I believe that this is fundamentally wrong.

Private industry must be part of the solution to the housing crisis. It has been proven time and again that we can build buildings more cheaply and efficiently than the government because of the competitive spirit within us. We can provide a greater choice of housing accommodation to people. The alternative would be a requirement for a massive amount of taxpayer funds to meet the needs of society.

Landlords recognize that there are serious problems out there. We recognize that there are many people for whom social assistance is necessary, but it should be social assistance provided by taxpayers as a whole. I believe that the current approach is wrong and this committee can take the first positive step towards resolving the problem by requesting the government to withdraw Bill 4. The government should be doing all it can to encourage people like myself to build new rental housing, not drive me away from the industry.

Mr G. Wilson: Thank you for your presentation. I think you have gone to the heart of the issue in a number of ways.

At least the figures that I have here show that you are the largest landlord in this area, so you have some experience in what it means to meet the needs of tenants. Actually, something that relates to what you said, of course one of the major problems you have is the capital expenditures you have made recently, or at least applied to make, come after a period of some 25 years for some of these buildings. I had an architect in my office last week who was there to see about preserving a 100-year-old building saying that there are a lot of years left in that building, and when I suggested, you know, we are having problems with 25-year-old buildings, she scoffed and said that is because of the way they are built. So that is one thing. The other is the—

Mr Godin: Just a second. What do you mean by "the way it is built"? Do you mean that your architect is going to tell you that a roof that has a life expectancy of 20 years should last 100 years? Is that what you are inferring?

Mr G. Wilson: Not at all. In fact, the roof is a significant development. I mean, a new roof, you expect it is going to last 20 or 25 years. So that is one of my questions. Do you not put aside funds to replace that roof in roughly 20 or 25 years?

Mr Greenberg: The legislation that was first introduced for rent control in 1976 was a companion legislation to the wage and price controls. No provision was made for

capital repairs at that time. The situation is such that when we build rental accommodation, we lose money in the first years of the operations.

I have provided in our brief an example of two buildings in the west end of Ottawa called Aventura I and Aventura II, very modest accommodation that was built in 1982-83, first occupied in the latter stages of 1983. Even with a second interest-free mortgage under the Canada-Ontario rental supply program, eight years later that project is continuing to lose money, and that is just simply an example of a situation across the board. We have to put a very sizeable equity investment in up front, we have to support it every year with cash infusions, so over a period of time we hope to make a modest profit on that.

With buildings, you do not set aside funds to repair things. That is why you seek mortgage funds later on. You hope to make a profit over a long-term perspective, and these buildings we have held for 25, 30 years. Things called salt damage are going on now that would never have been dreamed of in the 1960s. It is amazing. Because of the amount of salt that the government puts on our streets, it goes up in the air, it attacks balconies. Balconies are no longer structurally safe. We have to close them and then repair them. Garages are the same thing.

Mr J. Wilson: I agree. So, as you are suggesting, it is a very complex issue. You mentioned something from 1976, which of course was not our government, showing that other governments were having problems with meeting the demand or the need for housing, which we all agree on. I would say that with 12,000 units in 160 different complexes, your modest profits seem to be adding up to quite a good business.

You made a point too about saying the private sector is able to meet these needs cheaply and efficiently, yet you mention these problems from a number of years ago and in fact the problems that arise from unintended sources, like the salt. Do you see some way of perhaps solving these in a different type of arrangement? For instance, obviously the cheaper and more efficient approach of the private sector does not seem to be solving these problems.

Mr Greenberg: I think we are going to have the problems. That is not the issue. What I am suggesting to you is that the private sector can eliminate the problems, or can attack the problems more efficiently than the public sector. For example, in our project in Bayshore over the past summer, we replaced the roofs with a new style of pitched roof which we deemed to be more efficient and better off in the long run. The Ottawa-Carleton Regional Housing Authority took the same approach on some of their units. Our price came in for completing these repairs at 50% of the cost which was incurred by the Ottawa-Carleton housing authority.

Ms Poole: Welcome to our committee today. I have over the past years long been known as a tenant advocate, but at the same time I have always felt that landlords should be treated fairly if their actions warranted the fact they should be treated fairly.

I have three major problems with this bill. The first is that, as you have pointed out, there is no provision for

necessary capital repairs, and there seems to be this view by the government members, who sometimes I think are in la-la land, that this money is going to come from somewhere but they do not know where. They seem to feel that if you have to pay \$500,000 to restore an underground parking garage, this is something that could be taken out of rents. It is just a totally unrealistic attitude about capital repairs. Even if the structure of the building is in jeopardy, even if the repairs are necessary for the safety and health of the tenants, they still have no provision for necessary capital repairs.

0940

The second thing is the draconian attitude towards the retroactivity, which, again, you have addressed.

The third is that they have treated landlords who have taken excessive advantage of the system exactly the same as those who are good landlords and who have had reasonable rent increases.

I would like to ask you about this third thing. The Minister of Housing and the Premier have cited statistics of 100% rent increases, 150%, 192%, and they have deliberately fostered the impression that this is common and widespread. Have you ever had any rent increases with Minto Developments that have been in this range or, for that matter, have been in the range of 50%, 40%, 30%? Would you tell us what type of rent increases you are charging when you do necessary capital repair work?

Mr Godin: The type of rent increases is covered partly in our brief. I must add that at Minto we do necessary repairs, contrary to what the government is trying to say that landlords in Ontario take a vinyl tile floor and place marble everywhere, including probably in the bathroom. That is not the case with most landlords.

In our case, in the case of most landlords in Ontario, in the case of most landlords in Ottawa, and I know quite a number of them, we do not do that. In our particular case, rent increases, by and large, have been below 10% when we talk about strictly capital expenditure. And the types of capital expenditure that we do are absolutely necessary, as Roger said, roofs, balconies, etc.

The largest rent increase that we have had in the last 15 years since rent review has been instituted, strictly for capital expenditure and forgetting the statutory guideline and forgetting equalization—and you never know what rent review services is going to do with equalization—is at the most 15%.

Ms Poole: I might tell you that statistics do bear you out—

The Chair: Thank you, Ms Poole.

Ms Poole: —and that only twelve thousandths of one per cent of applications to rent review are over 100%.

The Chair: Thank you, Mr Tilson.

Mr Tilson: You indicated that Minister Cooke saw you on 8 November and that he did not see you again until several weeks ago. I am concerned about that, because the minister has always boasted that he is the minister of consultation. Are you telling me that the Minister of Housing has been avoiding you?

Mr Greenberg: He has not met with us. The facts speak for themselves.

Mr Tilson: Have you asked him to meet with you during that time?

Mr Greenberg: I cannot say. I do not know whether we have or we have not asked. You would think if there is a policy of consultation, and the government is bringing in a piece of legislation, it should be seeking to consult with the members of the industry.

Mr Tilson: Yes.

Mr Greenberg: I cannot sit here today and say that we have asked for meetings which have been denied. I am not aware of that.

Mr Tilson: I think I am concerned with the fact that he was telling you not to go to the press, not to do this. I find that very difficult.

Mr Greenberg: I think he was upset that the organization had leaked to the press potential, pending government legislation and had asked us to come and speak to him about our concerns first. All I am suggesting is that then he would not talk about what the plans of the government were, and three weeks later the very thing which the meeting addressed, the issue of retroactivity—the chairman of our organization, Julius Melnitzer, had spoken for at least 20 minutes on the grave concerns with retroactivity. The taking away of private rights was something which, in our opinion, was completely ignored. He never responded to Mr Melnitzer's concerns and three weeks later out comes Bill 4.

Mr Tilson: I would like you to comment on the capital expenditure issue in Bill 4, or the lack of existence of the capital expenditure issue in Bill 4. The minister has simply taken the position that you people have been making all kinds of money over the years, that you have been ripping the system off, that you have got lots of money to make capital expenditures and that there is enough money in your system, with the 4.6% and the 5.4% increases, to make capital expenditures. What is your response to the minister's comment?

Mr Greenberg: I disagree with it completely. As I have indicated, we have continued to build rental accommodation on a regular basis for 35 years. We need the so-called profits from some of the older buildings, in a sense, to cover the losses which we suffer in the newer buildings until they are able to become profitable. We do not set aside funds. We are not able to set aside funds for a rainy day, so to speak. I think it shows a lack of understanding of the housing business.

Mr Tilson: I will bet you the green paper will make you, unfortunately.

Mr Godin: How are you going to get the reserve from a building that is 50 years old or 25 years old? Is the government going to issue Minto and all of the landlords a cheque for all the reserves that you could not build in the last 25 or 50 years? Are they going to issue Minto a reserve for the first rental building we built in 1956, for instance? What the government is saying is, "We want to spend the taxpayers' money and build rental housing and

forget the private industry and everybody is going to be treated the same." You will not have a choice as to whether you want to live in a \$400 two-bedroom or a \$1,200 two-bedroom. Everybody is going to be treated equally and the home owners of Ontario, who do not get any benefit out of this, are going to pay to subsidize all the tenants, while in fact we all know the problem is that 28% or so of the people need a shelter allowance.

The Chair: Mr Greenberg, I want to thank you and your delegation for coming and making your brief to us this morning. Very good.

VALERIE WISEMAN

GEORGE ZADORI

The Chair: The next presenter is Valerie Wiseman, rent review consultant. Valerie, we are following the same procedure. I noted that you were watching the last few minutes. You have 10 minutes for your presentation and 10 minutes for questioning, and we need you to identify yourself for the record. The floor is yours.

Ms Wiseman: Okay. My name is Valerie Wiseman. I am here with George Zadori, who is a small landlord here in Ottawa, and I am going to refer to him in my presentation. So at the end, if you would like to ask him any questions, he may want to say a few words, because I will be brief.

I am a rent review consultant whose client base is primarily small landlords and I would like to share with you this morning my concerns about Bill 4. Before becoming a consultant I was employed by rent review services as an administrative assistant and later as an appeal analyst at the Rent Review Hearings Board.

I originally became involved with this work because of my concerns for tenants and tenants' rights. At the time I was guilty of making broad generalizations about landlords and their interests. A few years ago, as an uninformed tenant myself, and without realizing its retroactive nature, I would have wholeheartedly supported Bill 4. My experience at rent review, however, was quite different from what I originally expected. I did see that stereotypical landlord, the gouging landlord, the landlord who neglects to do proper maintenance and still expects to justify large increases year after year. I did see that landlord; however, that landlord is very much in the minority. Most landlords have real complaints, often about tenants who are in arrears of rents time after time or tenants whose units require major renovations after they move out before they are fit for rental.

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It was very interesting for me to realize that many Ottawa landlords experience financial loss and are far from making any profits whatsoever. This fall when the NDP formed the Ontario government, many of my clients were very concerned about possible changes to rent review and there was suspicion that those changes would be retroactive. I assured them, as I truly believed, that the government would not be so rash. After all, the NDP believes in open and honest government and is dedicated to the very principle of fairness. I was convinced that new or amended

legislation would be preceded by careful study and that any changes would not prejudice either landlords or tenants. However, I was wrong. Instead, Bill 4, in my opinion, is the product of a hasty, uninformed decision to appease tenants at the expense of landlords. In fact, not even the legitimate complaints of tenants will be addressed by Bill 4, as we are already receiving reports of landlords who have stopped renovations on their complexes. Bill 4 is a mistake which will be very costly to both landlords and tenants of this province.

The greatest injustice perpetrated through Bill 4 is retroactivity, because it potentially affects contracts that were negotiated as far back as mid-1989. When business agreements were negotiated in good faith long before this government was elected and when costs were incurred by landlords who relied on rent review legislation then in place and, furthermore, when rent increases have been applied for through the proper channels pursuant to that legislation, and in some cases ordered, it is extremely unfair of this government at this time not to allow those costs.

A number of my clients within the last two years have done extensive capital renovations to their properties. None of these repairs was unnecessary or frivolous. Some were even requested by tenants. I understand that this government is trying to prevent landlords from claiming flagrant capital expenditures, the cost of which would be borne by tenants. However, I feel that, in this instance, the baby is being thrown out with the bathwater. My clients, small landlords, cannot afford these unnecessary frills and I think some guidelines would be more appropriate, rather than to cut off the capital expense across the board. These abuses can be addressed through regulation, by restricting the type of work that can be claimed.

George Zadori decided in 1987 to make some major improvements to his 17-unit income property. He is a retired contractor and purchased the property as a long-term investment and as security for the future. Most of the work was performed by himself and his wife. It included updating the wiring and plumbing, installing new storm windows, replacing or refinishing floors, major repairs to the roof, carpentry and wall repairs, painting throughout and some replacement of appliances and landscaping.

Because he did not apply to rent review when the work began, he was not able to claim some of the costs. However, he could claim, according to the RRRA, approximately \$75,000 of his capital cost. This would result in a potential increase just over 30%. Out of context, this increase may seem high; however, his rents are well below market at \$464 for a two-bedroom. The average rents in older units in Ottawa are about \$600 for a two-bedroom apartment and \$742 for a three-bedroom. So his proposed increase to \$600 would simply bring his rents up to market for the Ottawa area. Unfortunately, however, the date of his first increase on his rent review application was after 1 October 1990, so he will not be able to raise the rents to cover costs. His tenants, on the other hand, have the benefit of living in substantially improved and, in some cases, totally renovated units at no extra cost.

To finance the improvements, he did not reach into his profits, as he has been operating at a small loss for some

time, but mortgaged his own home. If Bill 4 is passed and remains retroactive in nature, he may lose the building altogether. I fail to see even the slightest hint of fairness in this scenario and for this reason, if for no other, this government should not proceed with Bill 4.

If this trend continues, the banks of this province will become the landlords. Please understand that rent review is inherently restrictive and is not a windfall for landlords. Granted, there are abuses of the system and those abuses should be addressed. However, the many should not pay for the abuses of the few. Rent review tends to polarize landlords and tenants, and for this reason the government attempted to strike a compromise with the RRRRA. The Rent Review Advisory Committee, or RRAC, was composed of an equal number of landlord and tenant representatives who, after numerous meetings, reached agreement on the majority of issues, and the resulting report formed the basis of the current legislation.

Now we find that there may be problems with that legislation. However, those problems can be addressed. I would request of this government that it promote the spirit of compromise that was embodied in RRAC rather than further polarize landlords and tenants with Bill 4. The small landlords of this province are counting on this government to live up to its principles of fairness. Thank you.

The Chair: You have two or three minutes if you would like to use it.

Mr Zadori: This Bill 4 really put me in a bad position. I really do not know how to go about this. I may go bankrupt because I mortgaged my house and at my age it is very difficult for me to start something all over again, due to my heart condition also. If I lose my building, am I going to end up on welfare? I just have no answers for myself.

Mr Brown: I am interested, first, to discuss what you described to us as abuses of the system and whether in your experience as a rent review consultant here in your practice in Ottawa you would have seen luxury renovations, the famous marble foyers and those Jacuzzis and those sorts of things in many of your applications that you represented landlords for.

Ms Wiseman: No, I have never seen such things. Generally, the same sorts of renovations that were in Mr Zadori's application—some updating to wiring, plumbing, wall repair, usually general improvements.

Mr Brown: Improvements that are necessary for the structure?

Ms Wiseman: Necessary improvements.

Mr Brown: The second question is about flips. We hear a lot about flips, although no one from the government has been able to describe to us exactly what those are. I think we all have a vague notion of what they might be. In Ottawa, in this area and in your practice, are you aware of flips, flipping?

Ms Wiseman: In my practice, no, I am not at all. I think if the government is worried about flipping, that again can be addressed through regulations, by putting a

time limit on when you can go and claim a financial loss based on how often the building has been sold.

Mr Brown: Mr Zadori, I am interested in your particular situation. I may have missed it, but how long have you owned this building?

Mr Zadori: Four years in April.

Mr Brown: It has 17 units?

Mr Zadori: Yes.

Mr Brown: And you have spent a considerable sum of money and have yet to realize any real return? You are still in a loss position on rentals even before you did the renovations? Is that a fair statement?

Mr Zadori: Yes.

Mr Brown: You were hoping to get to a point where you would recover and make a long-term profit, I assume.

Mr Zadori: That is correct.

Mr Brown: You know, I suspect we were talking about 10 years down the road when we were turning the corner and that you were in the black and that sort of thing. Is that fair? Now you are facing bankruptcy, as I understand.

Mr Zadori: Close to it.

Mr Brown: And that is essentially because of the retroactivity of this bill?

Mr Zadori: Yes.

Mr Brown: You played by the rules, you did what the previous legislation said, you made necessary repairs, not frivolous ones?

Mr Zadori: Yes.

Mr Brown: From our point of view, we agree with you. We cannot believe that any government would make retroactive these sorts of—this legislation. First, they have made no case for it, and second, it is just contrary to actual justice. So thank you for coming. We need to see the faces behind the issue.

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Mr J. Wilson: Thank you for your presentation today. You started by reiterating what is in the NDP brochures, which is that they are committed to the principles of fairness and open government, but I suggest to you that the jury is still out on that, and while that is what is written in the brochure, it seems the process that we are going through here is that the government clearly made a decision—and the previous presenters made that clear—and now we are on a travelling roadshow to try and change their minds, really, in some of the areas.

Ms Wiseman: you have had a number of years of experience as a rent review consultant under the RRRRA. What changes, succinctly, would you like seen to Bill 4, or do you want to see it scrapped and perhaps we should continue with our consultations and come up with a fairer response to this? What is fair, to you?

Ms Wiseman: Ultimately I would like to see Bill 4 scrapped altogether; but if this government feels it is necessary, the retroactivity of Bill 4 is completely unfair. I do not think anyone can live with that, either landlords or tenants. On top of that, when the new legislation does

eventually emerge I would like to see possibly those specific problems addressed in that particular legislation and that, again, both landlords and tenants are taken into consideration at that time.

Mr J. Wilson: Mr Zadori, what will happen to your building and your tenants if you go bankrupt as the landlord?

Mr Zadori: I guess the mortgage company is going to take it over.

Mr J. Wilson: What do you think they will do with it, given that it is being devalued under this piece of legislation?

Mr Zadori: I do not have a clue.

Mr J. Wilson: So, really, your tenants' homes and whether or not they will be remaining in these homes under this bill is questionable.

Mr Zadori: Yes.

Mr Drainville: Before I pose my question, I would like to make clear to Ms Wiseman that in terms of the comments made by Mr Brown about the non-existent flips, as he calls it, and the luxury renovations that have not been proven, we have had case after case before this committee. If you were in Hamilton, as I believe you were, sir, you would have heard three specific cases of people who told about the flips on their apartments at that time.

Mr Brown: I chaired the committee.

Mr Drainville: Perhaps you were on Mars at the time, sir, I do not know.

Mr Brown: I was not in jail.

Mr Drainville: No, lucky thing. As to you, sir, in terms of the comments that you have been making to the witnesses about the policy of the government being to put the whole of the housing stock into public ownership, it has never been the policy of the NDP, as you well know, and also you have taken the context of the Premier's comments totally out of context. So it might be better if you begin to—

Mr Tilson: He will not deny it.

Mr Drainville: Perhaps if you would read the whole text you might understand what he was saying.

Mr Tilson: Everybody is reading the whole text.

Mr Drainville: In terms of that I might ask you, Ms Wiseman, in terms of what you are up to, in terms of your role as a consultant, as you know, Bill 4 significantly hems you in in terms of the kinds of consultations that you can do, I would think, under this new bill. As a consultant, it is your job, I would imagine, to work with landlords trying to find ways through the maze of the old legislation in terms of the rent review. Under Bill 4, in a sense, a lot of that is cut off and will not be accessible to landlords.

My comment to that is, one, obviously this is affecting your livelihood and I can appreciate your coming before us and indicating that. I would also like to say and ask the question that, in terms of the system that you have been working under as a consultant, I mean, surely there are better ways to prepare the people of Ontario and provide tenants with the kind of housing that they need. Would you support a full free market system? Is that what you would

advocate? Would you advocate the old system that we presently have, or do you not think that there is a need for radical change in that system?

Ms Wiseman: I did not have that many problems with the system as we had it. I think that there are areas that could be improved upon. As I said before, we did have rent controls. We did not have a free market system. Landlords are not able to charge what they would maybe want to charge or even need to charge. I have had many clients who have come to me who were experiencing financial losses before this Bill 4 came into effect, or will come into effect, if that is the case, who were very surprised to see that they could actually make their expenses back through the rent, because they just had thrown up their hands knowing that rent review was in existence at all and just felt that they were not able to even claim their expenses. So they had basically given up. I am surprised that you would look at that as free market.

Mr Drainville: I did not say it was free market. I am saying, was that an alternative, not to go with the old system, but rather to go to no system at all; that is, have the free market system dictate the level of rental for rental accommodation as one of the options?

Ms Wiseman: Well, as one of the options, I cannot see if you went to the free market system that rents would raise much more than they are now. Maybe they would meet market is basically where they would stay.

The Chair: Thank you, Valerie, and, sir, thank you for coming. We appreciated your presentation.

Mr Brown: On a point of order, Mr Chair: We seem to have some dispute about the facts surrounding this whole issue. We in the opposition have asked repeatedly for numbers on flipping. We have asked the ministry for a definition of flipping. We have not had them. I think it would be appropriate if the ministry could come before this committee with that information. I do not think it is very useful for us to discuss an issue when we do not have the facts that we can agree on before us. The ministry can do that. I think the ministry should come before us and provide that information.

I would also ask, Mr Chairman, that they provide information on luxury renovations. We have asked for that in the past. We want that defined. We want to know what percentage of rent review applications have been affected by the Jacuzzis and the marble foyers, and there is no point in us quibbling over the facts when the facts can be provided to us by the ministry. It would be useful to all members of this committee.

Mr Drainville: Just in response to that, I want to be clear about this. I have no problem in the member asking for that information. By all means, go ahead. What I do want to be clear about is that witness after witness has come before this committee and they have spoken about how they have lived in apartments where their premises have changed hands repeatedly over a period of five and six years with huge increases in terms of profit for that landlord, and that is flipping. Under any other guise, that is flipping. That is the way it is.

The second thing is, in terms of the luxury renovations, again, we have had witness after witness talk about luxury renovations, not just upkeep, but in terms of many, many new things and many stylish things that were not needed in that apartment.

My only point is that there have been many witnesses. To say that there is no indication of this and that the government is totally out to lunch is wrong on that. We have had witness after witness indicate it.

Mr Tilson: I support Mr Brown's request for that information and I think that sort of comment that was just made by the government member is self-explanatory. Those facts just are not there. It is a simple matter. Either the government has those facts or it does not have those facts.

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The Chair: Could I interrupt you for just a second, Mr Tilson? Could we have one of our staff people come forward, because I think we are going to be making a request for information and we may want to dialogue a little bit. I am sorry, Mr Tilson, please proceed.

Mr Tilson: I think that is the sort of reason why Mr Brown has made his request, because the innuendoes that are being put forward by the government as to the sole reason why it is putting forward Bill 4 is because of flips and luxury renovations and I have yet to see hard, cold facts from the ministry that those are accurate. I think Mr Brown's request is perfectly in order because it goes to the whole root of what the minister has said as to why he has put forward Bill 4.

Mr Brown: I am sorry if I gave the impression that I did not think they existed. What I was trying to determine was how widespread this practice is. I am not saying it does not happen, because we know it does happen, and we know we have to do things to correct that, but what we want to know over on this side is, how prevalent is the practice? Does it affect 1% of tenants or does it affect 0.5% of tenants or is it a problem to 10% of tenants? We want to know that. We want to know what the government is doing and we want that information.

Mrs Y. O'Neill: This is my ninth day of hearings on this bill. I really do find it confusing to hear what Mr Drainville has just stated. He did say witness after witness after witness, and I will buy three, but witness after witness after witness implies much more and it is perceptions that count. But the research team could maybe help us here, because I have sat on many committees and I think we need a summary of the presentations, and I hope we will get that, because I have not yet had that impression myself.

I have had more the impression that we have several small landlords in particular who are caught in a bind, because they had orders in their hands that have not yet been fulfilled. In most cases, the tenants who came before us complaining about increases were those who were having pass-through costs or phase-in costs from financial loss.

As far as Jacuzzis and marble are concerned, and we have asked those questions specifically about unnecessary

repairs, we have had, in my memory, about two or three. The tenants themselves are honest enough to say these were not the kinds of things that were done. So I really do think it is unfair that we have this impression created that that is what we are dealing with. We are not dealing with that. We are dealing with a lot of other things and they are much more complex than Jacuzzis.

Interjection: Right on, Yvonne.

Ms Harrington: Just briefly, we have no problem asking staff for any information that they have, because that is why they are here.

I just wanted to make it very clear to Mr Brown and everyone else in the audience that there is no question of people having undergone flips. We want to make that very clear, because we do not want to discredit the witnesses who have been before us who have certainly undergone really dreadful situations and have made it very clear to us. So by asking for this information, we do not want to discredit our witnesses.

The Chair: Very good. Anyone else on the point of order? The point of order has turned into a request and I am going to try for the committee to summarize the request to Colleen Parrish, who has been helping us all along. We need from the ministry, Colleen, a definition of "flipping." We would like also the number—I believe Mr Brown used the term "number" and later on "extent," so if we have any hard data. I believe it also would be worthwhile if we could break that down into regions: central region, southwest region, eastern, northern. The second part of the request for information was a definition for "luxury renovations," and I believe from my notations that is the extent of the request, unless there are some addenda to this.

Mr Abel: I think maybe we should add "unnecessary renovations" as well.

The Chair: All right. My understanding was the committee wanted a definition for "luxury renovations." We want to add a second portion, "unnecessary."

Mr J. Wilson: You had better put in a definition of "unnecessary" too—

Mr Tilson: Yes, what does "unnecessary" mean?

The Chair: Okay.

Mr J. Wilson:—if you are going to define "luxury."

The Chair: And a definition of "unnecessary renovations." Colleen, I know you have responded to us very quickly in the past, and hopefully some time next week we can have at least an interim answer, if not a complete answer.

Ms Parrish: We will do our very best, Mr Chairman.

The Chair: Thank you very much.

CLINIQUE JURIDIQUE STORMONT DUNDAS
GLEN GARRY LEGAL CLINIC

The Chair: Moving right along, the next presenter is Clinique juridique Stormont Dundas Glengarry Legal Clinic. This organization has been allotted 40 minutes. We need, for the record, the presenters to identify themselves whom they are representing. You have 20 minutes to make

your oral presentation to the committee, followed by 20 minutes of questions.

Mr Saint-Aubin: My name is Etienne Saint-Aubin. I am director of the legal clinic. My colleagues are Lisa Larocque-Bertrand and René Guitard. We wish to thank you for the opportunity to make this presentation before the committee on this important matter.

Very briefly, our legal clinic exists as part, of course, of a province-wide system and our particular clinic has been in existence since 1985 in Cornwall, a community which has never been favoured with the easy life. A very significant proportion of our population receives an income below the poverty level and generally it is a community where income levels are lower than the provincial average. We exist to promote the general legal welfare of the community, but most particularly to help meet the legal needs of persons with lower incomes. A significant proportion of our activity revolves around landlord and tenant issues and rent review issues, where we represent exclusively lower-income tenants. That is the perspective that we bring to these proceedings.

The importance of this legislation is clear. In fact, based on our experience, or more particularly the experience of our clients, I think it is appropriate to say that you are dealing with the most fundamental of human needs. We base that assertion on the silent courage of recipients of social assistance, and recipients who all too frequently are single-parent mothers with children. Theirs is a daily struggle waged in a world of make-believe where the social assistance system pretends to give them adequate support and they pretend to make ends meet. In that real world, what must come first is the roof over their heads. The stark truth is that the rent must be paid or the sheriff will be at the door to evict. The amount of that rent, the cost of that roof, will determine what this family will have to eat, and inasmuch as the food budget can be more readily squeezed, nutrition becomes a secondary priority.

And so, as we underline the importance of this issue, let us at the outset stress that we support the need for this legislation and that we are in agreement with its general direction. There are, however, a few factors that we would respectfully ask be taken into account in arriving at a bill in a final form.

There are perhaps four basic premises that we would like to stress. A philosophical debate at this stage about the wisdom of having adopted a rent review system at all in the first place would be fruitless and any return to a totally free market system without other safeguards at this juncture would cause intolerable hardships, so some form of legislation is here to stay.

Second, the present system does not work very well. When you have a system where you have got to have lawyers to appear on your behalf, something is wrong, and that is coming from a lawyer. It is a system that operates in a fairly bizarre way. It actually seems to be predicated on the notion that if obtaining a rent increase or challenging one is made complicated enough, then most people will settle for the annual guideline, which seems fairly straightforward. Those who are determined enough or who are astute enough or who can pay someone to be astute for

them can work their way to a more significant outcome. It is something like the system of ordeal by fire of ages ago.

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We also respect the process of putting in place a consultation period, trying to evolve to a more appropriate system that will require more extensive review and consultation.

Our last basic premise, which I think is a fundamental one, is that government does not have the resources to provide an adequate supply of rental housing. It can intervene to alleviate shortages, but it must look to private enterprise to provide the bulk of this accommodation. That is an important premise because from it must flow certain consequences.

Are the interests of landlords and tenants necessarily competing? We are quite aware of the fact that, having outlined our perspective as defenders of the interests of low-income tenants, the rest of our submission may be seen as rather predictable. Regrettably, our society seems to be quick to always approach issues in an adversarial way, as if we have to mount the barricades on all of these issues with the perspective of, for example, "Tenants good, landlords bad." We happen to think that it is more complex than that and that the issue deserves better than that.

In fact, there is no intrinsic link between the status of landlord and tenant and wealth, at least the way we see it from Cornwall. The average landlord in our community is a small property owner who may rent out part of the house or whose life savings have been invested in a second house, a rental property, and the property burdened with a heavy mortgage.

In addition, we see no inherent kinship between tenants as a social group. We decline to adopt the view that what is good for the Bloor Street West tenants whose foodstuffs come from Holt Renfrew is necessarily good for the tenants we represent, whose Kraft Dinner comes from a food bank. In fact, the interests of low-income tenants may be more interwoven with those of the small landlord than may be apparent at first glance.

A comparison with the other fundamental market, which is food, is important. In that market there is relatively little price control or review. There is, however, very significant involvement of government in control of quality. If one compares that to the housing market, there are significant governmental resources applied to the question of cost, but very few resources—and in the context of a rather half-hearted and disjointed effort—ensuring adherence to standards of quality.

While we respect that the legislation is not designed as a complete overhaul of the whole system but as a temporary measure, it would undoubtedly better serve the interests of the low-income tenants whom we feel should be the priority of an endeavour to effect a redress, would better protect those tenants if greater incentives were created for adherence to standards of quality.

Here, in terms of alluding to one of our basic premises, where private enterprise is expected to provide the bulk of the supply of rental housing, we acknowledge that it is basic economics that the landlords must find involvement in this field of activity to be attractive; very few are going

to be involved if it is not. This is where the interests of landlords and tenants coincide.

In our jurisdiction the supply of housing at an affordable price for low-income persons is very graphically related to the issue of quality of that housing. Municipal control of quality is minimal: one person in a population of approximately 60,000 to carry out inspections in response to a tenant complaint. The municipality issues notices to landlords to carry out repairs where deficiencies have been noted, but no other legal steps are taken to enforce this notice. We have reason to believe that this is a pattern throughout Ontario.

The result, at least in our community, is that much of the housing is substandard, and most of the affordable housing fails to meet property standards. So the concentration of substandard housing is precisely, of course, in the low end of the market. Where we think it is wrong is we think that low-income tenants should not have to accept as a way of life that a roof over their heads must necessarily be one that leaks. Therefore, part of the focus of the bill should shift somewhat to creating greater incentives for adherence to property standards. As always, there are two types of incentives, and the story about the carrot and the stick makes that fairly clear. The present system for ensuring adherence to property standards is all stick and no carrot, and not a very big stick at that.

The Residential Rental Standards Board and the provisions of the Residential Rent Regulation Act which pertain to it purport to impose rent review penalties upon a landlord who does not meet these standards. This system does not work very well. For one thing, very few tenants know of the existence of the board and, second, if the landlord is prepared to live with a guideline increase, the rent review process will likely not be involved. Third, too many low-income tenants do not have a sufficient degree of sophistication to know that they can challenge an increase on the basis of non-compliance with standards.

I think the time has come for legislation to recognize a regrettable reality in our province, that among persons who are most in need a hugely significant proportion are illiterate. We are going to have to finally recognize that as a fact. How interventionist one becomes in that context is a matter for discussion, but the reality is that the system must begin with focusing on the needs of this group first.

We recommend that the opportunity be taken with the bill to enhance the quality of rental accommodation by providing for a simpler system of enforcement, which we call the stick, as well as recognizing a financial incentive, which we refer to as the carrot. With the stick, all rent increases, including guideline increases, as well as applications for rent increases, would have to be filed with the Rent Review Hearings Board. A certificate of standards compliance would have to be filed together with this increase, and no increase would be effective without this certificate. It would be the responsibility of the landlord to obtain the certificate from the appropriate authority.

The carrot is that the bill should recognize as a ground for requesting a rent increase legitimate costs associated with repairs required to ensure adherence to property standards. If this ground is not available, we consider that

those persons whom we represent, and on whose behalf we have advocated in this brief, will be most vulnerable.

We know that we would not perhaps have been expected to make that kind of presentation to you, but we deeply feel that the present legislation and the amendment do not provide sufficient incentive to a landlord, in both forms, to create a physical environment for the lower end of the market where persons again do not have to accept substandard accommodation.

An additional recommendation is not necessarily related to the bill itself but in the context of making the system somewhat more accessible. We respect that the moment you begin to try and effect some control, a process to limit costs, you are going to be faced with an almost impossible task of trying to make it simple. These two needs of fairness but simplicity are probably irreconcilable, but I think a somewhat better job could be done by the ministry to explain the legislation, again, being conscious of the fact that such a significant proportion of the population has difficulty with complex material. In that regard we would urge that review be made of the material distributed by the Quebec Régie du logement, and in both official languages, be considered.

We are certainly in support of the provision that would remove from the eligible expenses costs associated with the sale of property. The two sources of interest for a landlord, at least from the perspective of our community, of being involved at all in this field, are making a living from the accommodation as a going concern and then making a profit as one sells the building. We see too many people who get involved in the field who have very little capital, and who gets squeezed is the tenant with a landlord who has almost no money to make repairs.

This notion of making money by selling and reselling is indeed a fact of life in our community. We have no figures on it, but we know it is a very common thing, and the people who get hurt by it are our clients. At least as an interim measure, we think it is desirable that that feature be removed, at least in general terms, as a motive for increases.

Those are our submissions.

1030

The Vice-Chair: Thank you very much. The first caucus with questions is the Conservative caucus. I have Mr Wilson.

Mr J. Wilson: Thank you for your brief. I have a little problem reconciling your support of this bill with your underlying premise that the private sector must be involved in the rental housing market. We have had testimony before this committee by a number of landlords, particularly small landlords, who say that they may go bankrupt, that the banks or financial institutions may end up taking possession of their buildings, and that specifically because of the contents of Bill 4, with retroactivity and with the inability to pass through necessary capital expenditures, they are going to be out of the rental market. Many, many have indicated to us that if this bill proceeds they will never go back in to the rental market.

So I am wondering, once again, how you would justify or reconcile your support of the bill with the fact that it may do irreparable harm to the private sector.

Mr Saint-Aubin: We recognize that proactive steps must be taken to encourage investment in the field of providing housing from the basis of private landlords. We think, in looking fairly at the whole process, that that portion of the concern of landlords which we find in our hearts to be legitimate is where there are issues involving capital expenditures pertaining to ensuring that the premises are in conformity with standards. We have great difficulty with the position of landlords in other areas because we know from experience that the losers in the system as it stands now are the low-income tenants. We think that the legislation can be made fairer in trying to deal with this problem by at least acknowledging the need for the landlord to be able to pass through, as you use the phrase, costs associated with maintaining the premises according to standards.

Mr J. Wilson: With a number of your clients is not the primary problem, as I understand from your presentation, really poverty rather than the rental accommodation they are in or are not able to find? Is that the underlying problem?

Mr Saint-Aubin: There certainly is a related, and very deeply related, issue, first of all of course your question of poverty, yes, and, second, the adequacy of the social assistance system. I think that, in tandem with a preoccupation with those weakest in the community, changes will have to be made to those levels of assistance that are related to housing so that something fairer occurs, but you are quite correct that, yes, certainly in our community poverty is the underlying problem.

The Chair: Mr Tilson, any questions?

Mr Tilson: No, I have no other questions.

The Chair: Very good. We have Mr Abel, Ms Harrington and Ms Ward.

Mr Abel: Thank you all for your presentation. I enjoyed it very much.

I do agree wholeheartedly with the one comment that you made, that the current system works in a very bizarre way. That is exactly why we are here today tackling this issue.

I do have a question from one comment that you had made, sir. On page 3 of your presentation you said, "Putting forward an interim measure such as this bill, and to provide for this process to take place, is wise." Could you elaborate on that?

Mr Saint-Aubin: We have evolved to a society which endeavours to arrive at some consensus, attempts to try to achieve a solution that is not necessarily based on adversarial notions, that a process of true consultation is wise. Of course, as I said, as soon as you try to effect some control of prices, you are going to be fighting, I think, an impossible battle by trying to make it simple. I do not think that is achievable completely, but in trying to arrive at an ideal system the proposed two-year period of ongoing discussion and review is wise.

Ms Harrington: Thank you very much, Mr Saint-Aubin, for coming. You gave a very thoughtful presentation. I really appreciate it.

We are a new government and we do have our ideals and commitments, the background that we come from. I would like to reassure you and everyone else that we are very much committed and aware of the real world situation out there and that that has to be a situation of bringing people together and trying to get a system that works for everyone.

You mentioned your four basic premises and I appreciated that very much. The fourth one that you mentioned was the fact that landlords are part of the system, and always will be, and that we must work with them. You also noted, and it was very thoughtful, that the low-income tenants and small landlords are not altogether different. They are all people who are here in this province and who, hopefully, have to work together and need each other.

What we have done, as you pointed out, is an interim bill. We realize, because the public and the opposition have very quickly told us, that we cannot live under an interim bill, that we have to move as quickly as possible, with full, meaningful consultation, to develop something good and something soon. That is the process that we are embarking on today, and next week as well, and all through this year.

There were a couple of questions I wanted to check with you. From your experience in Cornwall, what are the kinds of increases that the people who have come to you have been dealing with and how has that affected them?

1040

Mr Saint-Aubin: I am just going to ask my colleague to answer that.

Mr Guitard: Certainly we see people, if I can refer to usual increases, with the minimal increases according to the guidelines. We see that very often. Unfortunately, we see a lot of non-compliance with the notice requirement as well. I think the major problem is a lack of information, both from the landlord's point of view and the tenant's point of view, and that is why we do encourage that the system be more simple for everybody involved.

Ms Harrington: I certainly agree with you.

Mr Guitard: We have seen some illegal increases, but what we see is that nobody knows what the law is exactly, and even the simple requirement of giving notice is not respected in our city or in our area.

Ms Harrington: Can you tell me the types of per cent increases that you have seen? What per cent increases have your tenants had?

Mr Guitard: Most of what we have seen are, like I said, the usual increases, so there was not more than the guidelines. We saw some cases, but that was not the majority, of very large increases which were illegal. What we have seen most often is that there was no compliance with the necessary application to the rent review, the notice requirement, so there was a very major lack of knowledge of the law in general. But I cannot tell you the average one. I do not think that it is more than usual.

Ms Harrington: I will pass to Ms Ward.

The Chair: I am sorry, your time has expired; my apologies.

Ms Poole: I would like to thank the presenters today for one of the most sensitive, balanced and helpful briefs that we have had to our committee. I think there are many things within this brief with which we should all agree.

I agree with you that the premise of interim legislation is wise. I guess where I have a problem is in some of the provisions that are in this legislation. You have brought a couple of them to the fore. For instance, you have said, even though it is interim legislation, you think, "It would undoubtedly better serve the interests of low-income tenants if it created greater incentives for an adherence to standards of quality." I wholeheartedly agree, and that is lacking in this legislation right now.

The second thing you have stated is that "they"—meaning landlords—"must be able to make a decent profit from this field of endeavour. If it is an attractive business, the supply will increase." Again, one of the problems I have about the way Bill 4 is presented is that there is no incentive for any landlord to want to continue in this business, particularly because the retroactivity has been so draconian.

I just wondered if you would like to comment on the retroactive provisions where landlords would have spent money on capital repairs, for instance, in the spring of 1990, or even in the fall of 1989, and yet those capital expenditures would not be allowed due to the retroactivity of this legislation. Do you see that as problematic in your area, or do you see it problematic at all?

Mr Saint-Aubin: If I may, the perspective that one has certainly colours what priority one gives to particular concerns. That is why I stated that the perspective we had was from a small community. The housing picture where we come from is more significantly comprised of very small landlords. There are not very many high-rises. We certainly can respect the fact that in some other jurisdictions there may be issues that pertain to problems, however, that have been encountered with landlords possibly playing the game of this bizarre system and obtaining increases based on capital expenditures that were not necessarily in the interests of tenants. Our experience is not that this is the case in our jurisdiction.

The focus that we would have as the most problematic area is what you have been referring to as flipping, number one. Number two, as my colleague has alluded to, there is in effect a very significant, let's use the phrase "black market" operating in the sense that because you have such a huge proportion of the population where in effect we are living in Third World circumstances as far as sophistication is concerned with the rules and so on, you have in reality the law operating down here where increases take place that are totally illegal. The system is not being respected or enforced.

But as to questions of retroactivity, we can acknowledge that there may be a problem elsewhere. We just do not know and we will not state what we do not know.

Ms Poole: Thank you for your frank comments.

Mrs Y. O'Neill: Mr Saint-Aubin, thank you very much for coming from Cornwall this morning. I do feel, as has been mentioned, that this is a very balanced brief. You do seem to fully understand the limitations of Bill 4, you understand the limitations of Bill 51, and I can tell you that some of the people who do the same job as you do in other communities have not brought forth such a balanced report or brief to us.

I just wanted to ask you a couple of things. When you have the standards board, and you seem to understand that fully, do you help tenants work their way through that? Is that one of your main objectives, to see whether that particular kind of condition has been fulfilled? Because I do agree with you. I think some tenants, first of all, find that kind of route oppressive and some of them have no knowledge, which you have brought to our attention again. What is your role there?

Mr Saint-Aubin: Yes, indeed we try, because the clinic system, if I can make a plug for it, is a darned good one and a darned important one. We try to convey information. With the very greatest of respect, we think that the Ministry of Housing should be doing some of this too, but we try to convey information about what the law is and what rights are.

Mrs Y. O'Neill: How do you think the Ministry of Housing could best do that?

Mr Saint-Aubin: Maybe it could take a course in simple writing. It seems to have had some difficulty in conveying simple information—well, at least in conveying in a simple way information that could be readily grasped. I look at the documentation from the ministry and I compare it again to what comes from the province of Quebec and I think the latter is done much better.

Mrs Y. O'Neill: By the way, that document you mentioned, we do not seem to have it. Would you—

Mr Saint-Aubin: I brought a copy of it. I will perhaps leave it with your staff.

Mrs Y. O'Neill: I think we have your message on how you do that. I just want to say one thing to you about your brief which is very personal. You chose Bloor Street West as uncomparable to other spots. I happen to have been a tenant, in my younger days, on Bloor Street West. I lived in an apartment that had no hot running water—I presume it does now—and we did also have quite a few friendly cockroaches. So maybe you want to get an address on Bloor or another street in Toronto to use, because there are still some pretty modest apartments on Bloor Street West. I think I know the ones you are talking about, which are way way west, but certainly Bloor Street West has its difficult dwellings as well.

The Chair: Sorry, time has expired. I want to thank the Stormont Dundas Glengarry Legal Clinic representatives for appearing before us today with such an informative brief. Thank you very much.

Ms Poole: Mr Chair, might I make a request to the clerk that she distribute to committee members the Quebec Régie du logement material that is provided by the presenters?

The Chair: Okay, we will do that.

Ms Poole: It will be particularly helpful, I think, in the long-term consultation process.

1050

Ms Harrington: On behalf of the Ministry of Housing, I would just like to say that we initiated a couple of years ago a project called, in most communities or regions across the province, housing help centres, where information with regard to housing specifically targeted for poorer people or hard-to-house people is available in a street-type setting. I do not know if there is one in Cornwall, but there are in most regions.

The Chair: Thank you for the information.

LEVINSON-VINER LTD

The Chair: The next presenter, Levinson-Viner Ltd. Is it Tony?

Mr T. Mancini: Yes.

The Chair: We will be following the same procedure and you have been allotted 20 minutes.

Mr T. Mancini: Thank you. My name is Tony Mancini and I want to thank you for allowing me the opportunity to speak to you today. I am employed as a property manager for Levinson-Viner Ltd and have been for the last 14 years. I will be speaking both on behalf of myself as a small landlord and on behalf of the company, a company which manages over 3,000 units in Ottawa.

First I want to make it clear that I am completely against Bill 4. I believe it was enacted in a rush and without any consideration to the effect its measures would have on landlords, tenants, tradespeople or the economy. If a moratorium bill is in fact required, I believe that strong consideration should be given to amending the terms of the bill before its implementation.

I am 35 years old. I am married and have two young children. I own my own home with a mortgage. My wife does not work. I was born poor. I chose to invest in real estate because I believed it to be a good long-term investment. It has not made me rich and many times I have found it hard to make ends meet, with unexpected vacancies, high mortgage rates and unexpected major repairs. But I struggled and so far have survived. I always felt that the investment would prove beneficial in the long term, my retirement. Now I am not so sure.

In 1989 six friends and I bought a 17-unit building, as none of us could afford it on our own. The property loses \$25,000 a year. Effective 1 October 1990, we received an order of 8.3% to cover part of this financial loss. This order also provided for a phase-in allowance of 5% for the next three years, so that in four years the entire loss would eventually be eliminated.

Bill 4 will now render the order void and forces us to pay this \$25,000 loss continuously. We cannot afford this long-term loss. We bought the building knowing that with this application the loss would be eliminated in four years. I honestly do not think we would have bought it otherwise, because we could just not afford it. But the law was in place and we made an investment on that basis. It is very unfair now for the government to change the law retroac-

tively. It is unfair to penalize us because we put our savings into real estate and not in the bank.

Levinson-Viner manages 3,000 units for some 150 investors. That is not including their spouses. This averages 20 units per investor. This hardly classifies any of them as large landlords. Most of these investors work full-time. Real estate was simply an investment for them. Most of our portfolio has been in the same ownership for 10 years and some for up to 20. These are people who are building a retirement investment. Most will eventually pass it on to their children.

In 1989 and 1990 we spent \$6 million to improve 1,700 of these units. Not one dollar went into luxury renovations, nor was any of the work done for the purpose of flipping the investment. If someone buys a car, he will incur regular expenses every year to keep it going, and no matter how well he looks after it, eventually he has to replace that car. The same is true for apartment buildings. We did not look at the building and say, "What can we do now?" We did not expect the garage to fall down, but it did. We did not expect the bricks to spoil, but they did. We did not want the roof to leak, but it did. These are very costly repairs, and they are not luxury. They do not improve the building, they just keep it up. If all we wanted was a rent increase, it would be far better to do something obvious for the tenants than repair a roof, garage or the bricks. We did not modernize the kitchens, the bathrooms or the lobbies.

Landlords are expected to initiate fire safety measures, improve elevator safety, improve the parking-lot lighting, upgrade the wiring system, all for safety reasons and not out of the goodness of their hearts. But this is not possible. Rents have been so controlled over the years that there has not been any excess left for improvements. We need higher rents. We need a provision in place to obtain the higher rents.

We simply did work to keep the building at the level of standards our tenants are accustomed to. In one particular building of 176 units, we took advantage of the low-rise grant so that we could do needed work within a 5% increase limit. This building is predominantly occupied by a low-income group of tenants. We kept the rents low yet made the building a little safer and more comfortable.

The few landlords who abuse the system will not be hurt by this bill; they have come and gone. The bill only hurts the good landlords. This bill will only give the message to all those good landlords that they too should have abused the system while they had a chance because there is no reward for being good.

All our expenditures were made under the rules in place at the time. Lenders advance funds based on projected incomes. The retroactivity aspect of Bill 4 will cause undue and unexpected hardships to many of our investors. Retroactivity is unfair. The bill has already damaged the confidence people had in real estate. The Ontario government will lose the confidence of the people to invest in its province. If the natives of Ontario do not have confidence in this government, how is the government to expect to receive foreign investment?

Imposing such strict measures on rental housing impacts the economy in the worst possible way. Real estate has many side effects. Unemployment will result for salespeople, roofers, bricklayers, concrete masons, pavers, appliance manufacturers, etc. In turn, these will then impact the non-real-estate sector.

To help pay for these commitments already made, many landlords will now have no choice but to cut back. Our survey of local suppliers indicates an expected loss in 1991 of \$12.4 million, or 64% of their volume, resulting in staff layoffs of between 25 to 33 people. This is a direct consequence of Bill 4. On the other hand, tenants will now spend their savings on roofs, appliances, paving, garage work, etc.

In order to restore a good part of this damage, Bill 4 must be amended. Retroactivity must be removed. The bill should only become effective the date of announcement and should not affect any contract that was already in force. This will protect the landlords whose decisions were based on the rules in place at the time.

The bill assumes that all landlords are speculators when only a very few are. Because of this, and a few highly publicized cases of large rent increases, the NDP assumes that all landlords are filthy rich and playing dirty pool. Premier Rae says we need tough rent controls to protect tenants from high increases, but who is to protect the good landlord from going broke? Tenants want all the rewards of home ownership without any of the associated risks. They continuously demand safe and well-maintained accommodation at low rents. This is just not possible.

Ministry of Housing statistics show that in 1990 only 2.1% of units received increases over 30%, and even this means nothing if the base rent was already too low to begin with. The Premier wants to protect 2% of the tenants at the expense of 98% of the landlords. This is grossly unfair, especially from a government that believes in fairness.

Of all tenants, 26% pay more than 30% of income to rent while 52% pay less than 20%. We all agree that some tenants need help, but they are few. We do not agree that the landlord should help those tenants who do not need it.

Arguments have been raised that this bill is necessary to prevent rent increases of 20%, 30%, 100% or even up to 200%, but you do not realize that these high percentage increases are only quoted when it is beneficial to the damaged party. Newspapers will make major headlines out of a 200% increase even if it only affected three tenants. This in turn gives all landlords a bad public image. The article will not emphasize that the rents were only \$200 per month. The article will put an emphasis on one low-income tenant and fail to mention the two high-income tenants. The article will play on the hardship case, but not emphasize all the needed repairs the landlord just carried out to maintain this housing stock.

The landlord should not be made to subsidize the tenant who pays 40% of his income to rent when the majority pay less than 20%. It is my belief that the true intent of this bill is to help those tenants who pay a high proportion of income to rent, and no one will argue with the fact that these people need help. However, what this bill does to the detriment of the landlords is also help the tenants who pay

a low portion of their income to rent, and these are the majority of the tenants.

A \$500-a-month apartment occupied by tenants earning \$50,000 a year does not need subsidizing. A luxury \$2,000-a-month apartment will not be occupied by people in need. When the landlord receives a large percentage increase, it usually means that the rents were much too low. When rents are at market levels, the increases will be much less. If the government really wants to make units affordable to low-income tenants, maybe it should introduce a bill forcing the higher-income earners to move out of them.

This moratorium bill should be amended so as to protect the many good landlords who worked within the guidelines. The government should not put the affordability problem on a small group of landlords who have not the clout to fight back. The government does not have the money to supply all the needed rental housing and should do its utmost to encourage further private development, rather than discourage it. Rent controls have not worked in 15 years and the proposed policy just makes it worse.

1100

Tenants wanted fairer legislation, but even they admit that this bill goes too far. They also agree that retroactivity is unfair. They know that landlords will not improve the building if the income is not there. Tenants do not want government-run housing. Tenants do not want slums. All they want is a system that is fair to them and fair to the landlord.

I urge you to reconsider this bill and allow some breathing room. Do not make the bill retroactive. Allow existing rules to apply to commitments on or before 28 November 1990, regardless of the commencement date. Allow for financial loss on purchases. Put an annual limit on increases for capital improvements. In this way, landlords can survive, the trades can get back to work and tenants will be protected from exorbitant increases.

I would like to read some newspaper excerpts, if I have time.

The Chair: You are a little over time.

Mr T. Mancini: Okay.

The Chair: I would have to ask the committee. They would have to give up some of their time, Tony.

Mrs Y. O'Neill: Maybe we could have the newspapers submitted for our consideration, Mr Chairman.

The Chair: We could photocopy them and provide them to all the committee members. We would be happy to do that.

Mr T. Mancini: Okay, thank you.

Ms Harrington: I would like to ask you, sir, what costs you feel should be covered within the rents.

Mr T. Mancini: What do you mean, which costs should be covered?

Ms Harrington: The maintenance and repairs of buildings.

Mr T. Mancini: The current guidelines only seem to cover just the regular, ongoing operating costs of keeping

the building up to date on a standard, annual basis. There is just no room in it for capital improvements.

Ms Harrington: The guideline for this year is 5.4%.

Mr T. Mancini: That is right.

Ms Harrington: Do you not feel that within that amount there is what could be used for repairs?

Mr T. Mancini: Capital work?

Ms Harrington: Yes.

Mr T. Mancini: No, there is not. There just is not any money in that 5.4% for the extra work that needs to be done. It is a reality. There is not.

Ms Harrington: You feel that it covers maintenance.

Mr T. Mancini: I know that it does not cover the extras. I have been in the business long enough.

Ms Harrington: It does cover maintenance.

Mr T. Mancini: It will cover the regular going to keep a building operating on an annual basis, but that is it.

Ms Harrington: I would presume that in some of the buildings you own or that you manage the increases would be over 10% per year in subsequent years. Have you had that occur?

Mr T. Mancini: You mean, when we go to rent review?

Ms Harrington: Yes.

Mr T. Mancini: Yes, I would say our average increase had been 10% to 11%.

Ms Harrington: And that is every year, over 10%.

Mr T. Mancini: We do not take every building to rent review every year, no.

Ms Harrington: No. Okay, there have been buildings where you have had over 10% in subsequent years. My question is, how can tenants pay that amount without having to leave the building if they are on fixed income or they have cost-of-living increases in their pay of, say, 5%?

Mr T. Mancini: But what you are trying to say—

Ms Harrington: I am asking.

Mr T. Mancini: —is that the landlord should pay for the tenant's little income. That is not a landlord's problem. If a tenant does not have enough income, that is a problem the Ontario government should address. They should subsidize those tenants. With this bill what you are telling us to do is to help those people and help everybody else at the same time. The majority of the tenants do not have the affordability problem.

Ms Harrington: So you are saying that you feel it is no problem for them?

Mr T. Mancini: Oh, I know there are some tenants who do have a problem. The majority do not though, is what we are telling you.

Ms Harrington: I am glad to hear you say that the rent control system was not working.

Mr T. Mancini: It is complicated. It seems to be working. I mean, it does not seem to be abused by anybody to a great extent. There have been very few people who have abused it with their flips and luxury renovations, and that is what seems to get everybody hot and bothered

here. The only thing wrong with the current legislation is it is very complicated. It is difficult to understand.

Ms Harrington: It is very convoluted and bureaucratic and it takes lawyers to do it.

Mr T. Mancini: That is correct.

Ms Harrington: It should be changed.

The Chair: Time has expired. Mrs O'Neill.

Mrs Y. O'Neill: Just to pick up on the last statement that was made, it may not be quite as simple as some people in this room think to change rent legislation. It certainly has been something we have dealt with over a long period of time.

I would like to congratulate you, Mr Mancini. First of all, you presented a written brief to us previously and now a different brief. I would like to say that I think Ms Harrington would find a lot of the answers to her previous, first question on page 3 of your written brief, which you distributed earlier. I found that a very useful page, certainly for knowing the market in Ottawa. You talked a lot about tenants and how tenants are not one unanimous body of people with unanimous resources or needs, and I think we have to keep underlining that. You said a lot about retroactivity and I am really glad you did.

1100

I would like you to say a little bit more about something in your written brief and in your presentation that you did not attend to much, but which I am sure you have a knowledge of, because you do go on to explain how Bill 4 is going to affect the economy. You talk about how the small amount that tenants save is not going to be distributed in the same way as the ability to put that money back into an investment. You are the first person who had presented that to us.

Could you tell us a little bit about how you know this has affected the Ottawa economy? Maybe you have some examples of how it is affected, for instance, the allocation of contracts within your own experience.

Mr T. Mancini: I have attached some of the reports I had from suppliers to the brief and I have others with me. I will just go through them. We have people like the carpeting business. If there is not any money for a landlord to replace carpeting, he is just going to leave it. They just cannot go and replace something with money they do not have. That will affect the carpet installers and the carpet manufacturers, because a lot of business is done in apartment buildings; and tenants, because they are mobile and they are transient, are not about to spend money recarpeting their apartments, in most cases. The same will hold true for the appliances, the same will hold true for the roofers, the concrete masons and the garage work and the balcony work that many have spoken about.

Mrs Y. O'Neill: Have you got one example? I would like you, if you could, to be specific on something that may be a necessary repair. You mentioned balconies structurally and where you could tell us that some contract has ceased because of this.

Mr T. Mancini: That some have ceased?

Mrs Y. O'Neill: Yes.

Mr T. Mancini: We have cancelled a carpet contract because of this bill. It was a \$500,000 contract. It would have meant an increase of 3% above the guideline amount. We have completely cancelled that. We have brickwork that was planned for 1991, and I do not think we may be going ahead with that because I do not know where the money is going to come from for it.

Mr Tilson: I guess that gets down to the question as to the major concern our party, the Conservative Party, is concerned with with respect to this bill, and that is the detriment to the quality of the life of the tenant and the effect of this bill on that. You have just started to get into it. I think you have seen from the line of questioning of Ms Harrington—which is a typical question from the government—in other words, that the landlords have got lots of money, that you have accumulated lots of money over the years and that you are getting lots of money with your 4.6% increase and your 5.4% increase.

Unfortunately, that is not the root of the problem, as you have said. The root of the problem is called a war on poverty. It has to do with the 360,000 tenant households that are spending more than 30% of their income on rent. It does nothing to deal with the 40,000 families on the waiting list for subsidized housing, and I think you have talked about it. There is no incentive to deal with these people, for the private sector to get into it. I think they just think you are going to solve the problem, as opposed to the government.

Mr T. Mancini: That is right.

Mr Tilson: I would like to continue with Mrs O'Neill's line of questioning. Give us any other examples as to how you feel that the quality of life of the tenant will deteriorate as a result of Bill 4 over the next year.

Mr T. Mancini: Tenants will have to make do with the accommodation they have without expecting the landlord to go in and do any kind of work in the building to maintain the building at least to the level they are accustomed to. Most landlords will just do that. If they have a low-income-occupied building, they will tend to keep it maintained to that level of accommodation. If it is a high-luxury rental building, they will tend to spend money to maintain it a high-luxury building. So you will hear the government saying, "Those are luxury renovations," where what is luxury in one building may be just standard for that building and that is the accommodation the tenants expect and that is what they are going to get.

Mr Tilson: What are landlords telling the tenants when they come and say, "We need a new roof," or "We need new carpeting," or "We need new plumbing"?

Mr T. Mancini: Since the NDP came into power, we have been telling them there has been a freeze on rent and we do not have the money to do it.

Mr Tilson: What do they say?

Mr T. Mancini: They do not say much.

Mr Tilson: There is nothing to say, is there?

Mr T. Mancini: No. Really they are not saying anything.

Mr Tilson: On your comment too about the bill subsidizing the rich, I would like your thoughts. I would like you to elaborate more on that as well.

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Mr T. Mancini: I have a friend who lives in a one-bedroom apartment. He is married and he makes \$55,000, his wife makes \$30,000 and they pay rent of \$485 a month. He is in no rush to move out—

Mr Tilson: I guess.

Mr T. Mancini: —because he has got it good. The building is well maintained. He maintains the apartment a lot on his own, but he has got no incentive to move. I mean, he would be crazy to. You are asking us to help those people when they do not need the help at all. A lot of these people make more than some of our small landlords make.

Mr Tilson: Thank you for your thoughts.

The Chair: Mr Mancini, thank you for your brief. We appreciated your comments.

RANDY KEMP

The Chair: Next presenter, Randy Kemp. Randy, I think you are familiar with the procedure we have been following, 10 minutes for your oral presentation, 10 minutes for questions. The floor is yours. You can sit down and relax. Take your time. We need you to identify yourself for the record.

Mr Kemp: My name is Randy Kemp. I am a resident of Ottawa. I have lived here all my life. I want to first thank you for the opportunity to speak to you today concerning the proposed moratorium on rent increases known as Bill 4.

It is my understanding that the proposed bill, Bill 4, will retroactively abolish rent increases for any and all capital expenditures regardless of whether they were absolutely necessary or not. It is my understanding that Bill 4 will retroactively abolish rent increases for unusual maintenance costs. It is my understanding that the proposed bill, Bill 4, will retroactively abolish any and all increases due to approved orders for phase-ins for financial loss, phase-ins for chronically depressed rents and phase-ins for hardship relief.

But does this committee understand that Bill 4 will victimize small landlords who updated their buildings up to at least one year prior to the election of this NDP government? Does this committee understand that Bill 4 will create a far greater shortage of rental housing than ever previously experienced in Ontario? Does this committee understand that Bill 4 will put contractors, trades people and suppliers out of business? And does this committee understand that Bill 4 will ultimately cost the Ontario taxpayer?

I wish to speak to you about this bill from three different perspectives. First, as a small landlord I have part ownership in 13 rental apartments in five different buildings. I personally manage all of the buildings. Second, as a builder-contractor I have created 11 new rental units, either as new construction or converted dwellings, eight units in

just the last 12 months. Finally, I wish to speak to you as an Ontario taxpayer.

Bill 4 is bad for landlords, bad for tenants and bad for Ontario. When you mention rent control to the small landlord, generally he shakes his head, grunts, maybe even cusses, but that is about the extent of the reaction. Why? Because rent control is complex, confusing, and small landlords, like the majority of ordinary people in Ontario, just want to get on with their lives. What the small landlord does not realize is that Bill 4 will effectively wipe out 15% to 20% of his investment. One indication of this is that banks have significantly reduced the loan-to-value ratio on low-rise rental buildings. They will not lend money beyond what the rents will carry; for example, 50% to 60% of the value of the building.

A small landlord who has made major renovations or repairs to his buildings, applied for an increase prior to the existence of this government and received approval of a nominal increase prior to the introduction of this bill has unsuspectingly been blatantly discriminated against by a government that feels it is has every right to retroactively abolish rent increases that were perfectly justified to the letter of the law. You call this fairness? You call this justice?

What does the abolition of an approved rent increase mean to the average small landlord? Perhaps an example. First, some assumptions. This example is based on a per-unit basis, one apartment. The apartment has a net operating income of \$500 per month, \$6,000 annually. Net income is used primarily for debt service. Landlord completes his upgrades to the building some time late 1989, early 1990. He applies to rent review some time in July 1990. Rent review approves a 5% increase for capital expenditures in October. The NDP government abolishes the increase on 28 November 1990, close to one full year after the work was done. The small landlord says to himself, "It was only 5%, \$25 per unit."

What the small landlord did not realize is that that 5% increase was worth \$3,000 of value to his building—gone. He lost that value for ever. Start compounding over five years on, say, a six-unit building and the loss becomes grotesque. The moral to the story is, why spend money on your building? It is a complete waste of your investment, and for those who have spent the money and lost the increase, you have been blatantly robbed of something that was rightfully yours, whether you realize it or not.

Then when you consider there are absolutely no means of increasing rents except for extraordinary operational expenses, one comes to realize that this government is not the least bit interested in the welfare of small landlords. This government feels that landlords have no right to manage their property as they see fit.

I am also a builder and a contractor. As previously mentioned, I created eight new residential units in 1990. I spent \$200,000 on renovations and I spent \$170,000 on new construction. Not one cent of it was taxpayers' money. I will build no more.

This government will not recognize the fact that if there is no return on investment then the investment ceases to exist. It becomes a liability. Bill 4 has completely de-

stroyed any remaining investor confidence in residential rental housing. The typical cost for a 1,000-square-foot, two-bedroom apartment in a three-unit building is about \$60,000. You include the lot, the common areas in the building, the parking lot, the appliances, etc, and the unit cost is between \$80,000 and \$90,000. That is cost, no profit. His gross income is \$750 per unit. The net operating income is \$600 per unit.

First of all, the investor would not be able to sell the building in today's market and recover all of his expenses. Second, if he wanted a nominal 15% return on his money, he would have to hold on to that building for a minimum of 10 years, based on restricted—5%—annual increases.

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The obvious question is, what does this have to do with Bill 4? Directly, very little. Indirectly, Bill 4 has demonstrated to the investor in residential rentals that the NDP government and the Liberal Party is not the least bit interested in a fair deal for small landlords. Therefore, as a builder of rental units, I say to you, you can build your own rental units. It is not worth my while. I have a family to feed.

Bill 4 is a bad deal for taxpayers too, because if the private sector is not able to respond to the need for rental accommodation, then the government is forced to. The NDP government says it is going to build 20,000 subsidized rental units per year at a capital cost of over \$1.6 billion. That translates into over \$200 million in carrying costs alone. Who is going to pay for this, corporations? Sorry, they are already leaving in record numbers. They say the cost of social programs and taxes in Ontario are already too high.

When a builder-developer builds rental units, he creates jobs, he increases the municipal tax base, and most important, his rental units do not increase taxes. As a taxpayer, I deplore the government's attitude towards landlords and the rental investment community.

Committee members, a new approach is needed to help those people who cannot find decent rental units, and we also have to make sure buildings are better maintained. The small landlord should not be expected to pay for the government's failure. Rent controls should be phased out gradually over a five-year period. For more units to be built, rent must be allowed to rise to market values. There has to be a return on investment for the small landlord. Private industry will build more rental units if a fair market exists. Those tenants who cannot afford to pay market rents should have targeted specific financial assistance to ensure that no more than 30% of their income goes towards paying rent. It is just not fair to expect the small landlord to subsidize the standard of living of those people perfectly capable of paying market rents. That is exactly what rent control does.

In conclusion, I ask you these questions and offer these comments. Why are you making it more and more difficult to make an honest day's wage for an honest day's work? The small landlord is an entrepreneur. If he does not make a profit, he ceases to exist. How can you justify the retroactive nature of Bill 4? It is completely unfair. Bill 4 demonstrates to

me how arbitrary, and how insignificant the small landlord is to this NDP government.

Bill 4 is a disaster. It discriminates against the small landlord, it forces builders out of the residential market and it ultimately increases everyone's taxes. Thank you.

Mrs Y. O'Neill: Mr Kemp, will you be providing your remarks in writing to us?

Mr Kemp: Yes, I have, to Deborah.

Mrs Y. O'Neill: Thank you very much. You certainly have brought forward to us the financial realities of owning property, investing in property, and I want to thank you for what you have done for our community with your livelihood and with your investment.

Mr Kemp: Thank you.

Mrs Y. O'Neill: You have a true understanding of costs, and I think it is one of the clearest explanations we have had about what owning property costs. It is not just an income.

You did mention our party, and we did support this bill in principle when it came forward on the floor, in the protection of tenants, and that was the principle upon which we supported it. We are certainly going to be presenting many amendments. I trust that some of them will attend to some of the needs you have presented, and certainly if you have been watching and listening to the hearings at all you will know that we are as disturbed as you are about the retroactivity of this bill. The principle of retroactivity in legislation, in my mind, is intolerable. I do feel that you truly understand what we are dealing with here and I thank you for the clarity with which you presented your points.

Mr Tilson: I will predict that in the budget the new government is going to bring out, it will say that it is going to build all kinds of non-profit housing. They made a promise during the election, even though the minister has already said, "Well, I don't think we're going to have the money to honour that promise."

My question to you is, assuming that the government does spend tremendous amounts of money on non-profit housing, I think you have raised a point that has not been raised at these hearings. Will they be able to maintain them without rents going up in those various non-profit housing units?

Mr Kemp: My answer to any sort of government intervention where the market should prevail is that it costs the government \$1.50 to get a dollar's worth of value. The government does not belong in the rental market and any expenditure in the rental market, as far as I am concerned, is a waste of money because it can be handled by private industry if given the opportunity. But you cannot stack the deck.

Mr J. Wilson: Thank you, Mr Kemp, for your presentation. Tonight, after the dinner break, we will be meeting with two large tenant associations in this area and we are spending two hours with them. If you had the opportunity, if you were speaking right now to a group of tenants, how would you best explain the position you are in as a small landlord?

It is a tough question, only because we have, unfortunately, two sides in this that the committee is grappling with. We have the tenants on one hand, and I am a tenant myself. Many people have bought into the government's line that landlords are filthy rich and somehow you guys have money for capital improvements and that rent increases, anything over the guidelines is unjust. It is very, very difficult to argue when people are facing large rent increases in some cases, and it is very difficult to get them to understand that the only source of revenue for a landlord is the tenant. Do you have any thoughts on that?

Mr Kemp: First, if I were addressing a tenant group, I would definitely distinguish between the large landlord and the small landlord. The large landlord has purchased his investment based on a positive cash flow. The small landlord has purchased his investment, at today's market, at a negative cash flow with the intention of capitalizing on the appreciation of the building. It is impossible in the city of Ottawa to buy a small rental building with a positive cash flow.

The difference between the big landlord and the small landlord is a question of economies of scale. The small landlord improves his building with his own bare hands. He paints it, he adds to it, he makes the quality of life better for the tenants. Eventually that pays off when he disposes of the building.

Rent control restricts the amount that the rents will rise, regardless of what the small landlord does to that building, so if he is capable of attracting a higher rent for his building, he should be compensated for it.

Mr G. Wilson: Thanks very much for your presentation, Mr Kemp. I think you very clearly laid out a lot of the issues from the small landlord's point of view, although I must say, some of your interpretations I found less relevant, say, to the larger group. For instance, you mentioned our corporations leaving because of the high taxes, I think you said in Canada, maybe specifically Ontario, whereas another interpretation is that they are leaving because of free trade. So the slant you put on that can argue for the case you are trying to present.

Also, as far as the government having no role, say, in provision of rental units, I should point out that rent controls were brought in by the Conservative government about 20 years ago, so it is an understanding that government has to have a role in it to make sure that the rental units are there or that the shelter is there for the citizens of the province. I think that is the point of view we are coming from, and that is why this process is in effect to make sure that all views are heard. That is why I am really happy you are here to present your side of it, but I would like to know specifically what you think of standards in rental units and how they should be maintained.

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Mr Kemp: First of all, I think they should be maintained by the market. If the standards are not up to what the market dictates the standard should be for that rental price, then the tenant should have the right to move out and the landlord is faced with putting that rental unit back on the market.

What is happening is there is no market so it does not matter, the condition of the rental unit. If you are locked in at \$500 and the market says, "If you fix that up you could get \$700," but the government says, "If you fix that up you can't have \$700, you can only charge \$500," then definitely the rental market is going to deteriorate. There is no point. There is no need, from an investor's point of view, to spend money that is not going to generate any return. It is a basic market philosophy.

Mr Cooper: Briefly, it seems that there is a perception out there that the New Democrats are putting the boots to the small landlord.

Mr Tilson: That is an understanding.

Mr J. Wilson: That is called reality.

Mr Brown: You got it.

Mr Cooper: No. We are talking about all the small landlords, and it seems all the presenters for the small landlords are all new investors. And I think what has been going on, when we talk about fairness here, is that what people have been doing is making poor investments. What they have been doing is buying poorly maintained buildings and trying to work through the system and working on the backs of their tenants to make that investment come through. So that is the reason we are putting the freeze on for a couple of years, just so we can get a handle on this and make it fairer for the tenants and for the landlords.

Mr Kemp: Mr Drainville, I think that is a red herring.

The Chair: It is Mr Cooper, not Mr Drainville.

Mr Kemp: First, I have never gone to rent review. It just did not serve my needs, because I was creating units, I was building new residential housing, my units came on the market at market value. What I am saying here is that rent control is depreciating my investment. If you, through the force of law, restrict the increased value of my rental property, you are costing me money, and I say that is wrong. I made that investment with the intention of living off it as a pension or making other investments at a later date. I did not make that investment with the intention of subsidizing housing, and that is exactly what you are proposing here, that I, as a small landlord, subsidize housing, and that is wrong.

The Chair: Your time has expired. Mr Kemp, we appreciate your coming before the committee.

Mr Kemp: Thank you for the opportunity.

The Chair: You are welcome.

JOHN DICKIE

The Chair: Next presenter, John Dickie. Sir, we will be following the same procedures.

Mr Dickie: Good morning, everyone. I have been a lawyer for eight years and I have represented people in rent review and landlord and tenant matters for 10 years. For the first five years I represented mostly tenants. Since then, I have acted mostly for landlords. This work makes up 90% of my practice.

In my opinion, there are two things wrong with rent review: Rent review is unfair and rent review wastes resources. Bill 4 makes both of these problems worse. I will

comment on each of these problems and then comment on one specific section of Bill 4.

First, rent review is unfair because it singles out landlords and makes them subsidize tenants. Not all landlords are wealthy. Not all tenants are poor. In some cases, poor landlords are subsidizing tenants who are better off than they are, and I know this for a fact because some of them are my clients. Some tenants need help to afford suitable accommodation. But their problem is not created by landlords, and it should not be solved on the backs of landlords. Rent review is not the answer.

Bill 4 adds to the unfairness because it singles out some landlords among all landlords and treats them worse still. Bill 4 hurts three groups of landlords: those who have recently done major repairs or renovations; those who have recently bought a building; and those who own a building with relatively low rents. Mr Keller, who spoke earlier today, and Mr Mancini, in his personal capacity, both fell in some of those categories.

Bill 4 adds to the unfairness by being retroactive and taking away allowances that landlords have relied on receiving.

Second, rent review is bad policy in an economic sense because it wastes resources. You have heard this from economists; let me try to give you a sense of why it is true.

A famous moral philosopher had this to say about government control:

"The man of system...seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chessboard. He does not consider that the pieces upon the chessboard have no other principle of motion besides that which the hand impresses upon them; but that, in the great chessboard of human society, every single piece has a principle of motion of its own, altogether different from that which the Legislature might choose to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably."

In enacting and maintaining rent review, you assume that you can tell landlords and tenants what to do. The problem is that they often want to do something else.

For example, as the "men of system," you want a landlord to charge less rent than tenants are willing to pay but still maintain his building as he would if he could charge more. However, one of the landlord's principles of motion is to try to make money. Since he cannot charge tenants what they would be willing to pay for well-maintained premises anyway, his natural reaction is to reduce the maintenance. That costs no rental income, because that is fixed regardless, but reduces his costs and therefore increases his profit. Mr Kemp said this, and I am just putting it in a somewhat more general and philosophical way. To deal with that problem, you then enact more rules about how much maintenance must be performed.

The problem with that answer is that those rules are terribly difficult and expensive to enforce. You are trying to do with rules what can be done much better by the

market. By using rules, you are not getting results and you are wasting millions of tax dollars.

A second example of this principle is the fact that tenants, because rents are held down, tend to buy more housing than they otherwise would, or they buy more affordable rental housing than they would. Mr Mancini gave you the example of someone with a huge, or at least a large income living in a \$480 apartment. If he were not able to get it at that price, he would move into something else. The \$480 apartment might cost \$550, but at least someone who needs it would be in it, and that is happening on a very broad basis across the whole economy.

Your cost in administering the system, millions—the last figure I heard was \$40 million—is what it costs of taxpayers' money to administer the system. It also costs millions of dollars in money and time for tenants and landlords working in the system. And despite the cost, you do not get quality affordable housing to the people who need it.

The fact that people want to do something different than you would like should really not be considered a problem. It reflects the fact that we live in what is mostly a free society. We do not tell people where to live or how much housing to rent. Therefore, we should not try to tell people how much they are allowed to pay, and to charge, for housing.

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Bill 4 makes this problem worse by preventing landlords from recovering the costs of any major repairs and renovations for the moratorium period. This will cause landlords to postpone work which both they and tenants want to see done now. Mr Mancini gave you an example of that as well.

Bill 4 tries to deal with a direct effect of the market that you in the government do not like; namely, large rent increases. In doing so, you ignore the indirect effects Bill 4 will create. I want to give you one more specific example of this because clearly it may be that the bill is not much changed. If the government does not think that it should be changed, it may not be much changed. But surely we can clean up some injustices.

The one that I would like to focus on is the proposed subsection 100f(5). This provides that the ministry may not allow a higher rent increase than the landlord has proposed in a rent review application. You in the government like the direct effect: Tenants will not have to pay more than is proposed. But the indirect effect is that all knowledgeable landlords will ask for more than they were asking for before. You want to give tenants greater security, but in fact you will give many of them less security because perfectly sensible landlords will propose higher rents than they propose now, and that will unnecessarily scare tenants into moving.

In conclusion, in my opinion, the effect of rent review and Bill 4 and this subsection is to hurt people you should not want to hurt, to help people who do not need help and to waste resources. Let us stop subsection 100f(5) and Bill 4 and let us work towards the elimination of rent review and its replacement by a program that is fair and cost-effective

and helps tenants who need help and does not hurt landlords who in no way deserve to be hurt.

Mr Tilson: The question I have, I guess, is a response to your comment about essentially the rich are going to get richer and perhaps the middle class will be benefited more than, perhaps, the poor as a result of the passing of Bill 4. You have commented, reiterating one of the earlier speakers, about how the rich are benefiting from this legislation. In your experience as a counsel for landlords, how widespread is that in this area?

Mr Dickie: In my experience it is very widespread. I would say 30% to 40% of tenants really do not have an affordability problem at all. They are paying a lot of money for rent now and naturally, as human beings, they want to pay as little as they can. They organize and they oppose landlords' rent review applications.

There are another 30% to 40% of tenants who are of more modest incomes and it is true that paying less rent helps them. They are in the middle group and so it would be nice if they did not have to pay more rent, but the costs are there of maintaining and building buildings, and basically they have got to pay them because otherwise taxpayers are going to pay them, and they are taxpayers too.

If you leave aside rent review, the market will work. It will minimize costs and it will direct housing to people who need it. Perhaps 30% of tenants, and this is what the affordability statistics show, 20% to 30% of tenants pay more than 30% of their income as rent. But what I am saying is that the way to solve them is by raising their incomes or introducing shelter allowances, but deal with the source of the problem, not go by the back door, in which case you waste all your effort and you hurt people who should not be hurt.

Mr Tilson: Sir, a second question I have is perhaps to you as a counsel for landlords, and that is that these hearings have been designed to provide a report to the Legislature on the temporary legislation and yet on Monday we will be hearing from the minister with his green paper as to the permanent legislation. As a result of the hints that have been given from the government that there will be a request or a demand that landlords set up a reserve fund, and that presumably that will be funded solely by the landlords, anticipating that type of presentation from the government, do you have any thoughts as to whether landlords will be able to sustain that requirement?

Mr Dickie: I would say they will not be able to, and the reason is that when housing is built it simply does not pay for the costs. The rents do not cover the costs. You have heard Minto Developments management this morning say that they have a building built nine years ago that is still not covering its costs. Every year money is sunk into that building by them to pay the shortfalls, besides their original equity, and there is simply no way to take money out of the rent and put it into a reserve fund. The money is not there.

Even in respect of an older building, either someone has bought it within the last five or 10 years or 15 years, in which case there is no money in the rent, or it was built a long, long time ago and the owners of it have suffered

depressed rents for the last 15 years and they are entitled to what small return they are able to get now. They should not have to sacrifice that to pay for these renovations and to subsidize tenants who do not need the help.

Ms M. Ward: Thank you for your presentation. I was interested in the Economics 101 there. I thought, "Adam Smith keeps rising again from his mouldy grave from 200 years ago."

I would like to ask you about some of the increases that you have seen. I understand that you have worked on behalf of the same landlord the presenter two ago was representing, Levinson-Viner?

Mr Dickie: It is correct that I act for them. If I might just say, I think Adam Smith knew more about the way the world works than Bill 4 displays that the government of Ontario knows, frankly.

Ms M. Ward: Well, it is a philosophy—

Mr Dickie: It may be 200 years old but it is still intelligent and right.

Ms M. Ward: Okay. We are using up my time. I do not have 200 years for my question, so I would like to ask you about what level of increases you have managed to obtain for the landlords. We hear talk about there may not be many 100% increases. I think a 20% increase is large also. If someone is paying \$500, a 20% increase is \$100. Could you give me an idea of what the range is there?

Mr Dickie: The range of increases, and I am talking the total increase now, not just the additional amount—

Ms M. Ward: I am speaking of those that go to rent review.

Mr Dickie: Yes, they range from about 6% up to—

Ms M. Ward: Above the guideline?

Mr Dickie: No, including the guideline—so that is only 1.5% over the guideline—up to 15% over the guideline, which would be 20% in total. Those are relatively rare. The average rent increase through application is 10% to 11%, and that applies only to 20% of the buildings in the province. So it is not an average of all buildings but an average only of those that apply.

Ms M. Ward: We know about averages. You could drown in an average depth of two feet of water, and I believe there are a number of people drowning through rent increases. I want to leave some time for Mr Wilson.

Mr G. Wilson: I do want to say that I think the quote from Adam Smith is significant in that you choose one thing that he did say. That was 200 years ago and I think, for one thing, he would drop dead at the thought that there would be women involved in running legislatures, for instance. In that period that was out of the question. So things have changed and I want to say too that the party that is associated with Adam Smith is the one that brought in rent controls. They recognize that things have to be altered, that the market cannot look after everything, and I think that even Smith would agree with that. In fact, he knew there were problems, that people getting together would end up in conspiracies against the relatively vulnerable.

That is what we are looking at here and that is why this bill has come forward, because adjustments have to be

made and we have to look at what has to be done. I want to ask you whether you think the tenants should not have some say in what this has done. You seem to imply that tenants are just out to get the best possible accommodation at the lowest price without any realization that costs have to be met.

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Mr Dickie: Tenants can vote with their feet. If they do not like an apartment, they can move. The market would supply housing if we just had not gotten into this abortion that is rent review 15 years ago. I realize we have a problem getting out of it. There would be transitional problems, but I still say to you that there are real costs for housing and if tenants are not going to pay them, then it is the government and all taxpayers who need to pay them, not landlords. Landlords are in there already doing their best, they are making costs as low as they can in order to try to make a buck, and, frankly, making a buck is what we need more of in this industry, not less.

Ms Poole: Thank you for your presentation today. Rather than continue the philosophical debate of rent control or rent review and whether we can or cannot get out of it, which I do not think is at issue in this bill—I am quite sure that the government would not bend on that principle, particularly in this bill—I would rather look at the pragmatic side of Bill 4 and some of the ramifications; for instance, the retroactivity. You have made some brief comments about it in the bill. How is the retroactivity affecting your clients and how would you like this bill changed to reflect the fact that the retroactivity should not be so encompassing?

Mr Dickie: It is having a very serious effect. I know many people who are going to be driven into situations of real hardship because of this. The way to cure the problem is to make the cutoff date 28 November 1990, which was when the bill was announced, and to make it apply to work committed or done after that date. In other words, work committed or done by that date should continue under the existing rules that people have relied on. When properties have been bought before that date, they should continue under the existing rules that people relied on when they bought or built.

The only other thing I would say—and given the government's general attitude, I think this would be difficult to achieve—is the bill also seriously impacts people who have buildings with very low rents. They are low rents because they have taken only legal increases and they have been hammered over 15 years. To cut off financial loss does not hurt the so-called speculator, because he has not bought the building yet. It hurts the people who own the building now, for whom it is their retirement savings and who need the money.

Mrs Y. O'Neill: Thank you very much, Mr Dickie, for bringing your points forward. I think you are the first person who has brought before us subsection 100f(5), the abuse that is possible there, and I think that is a point that is well made. We just mentioned retroactivity. Could you say what you feel is the worst aspect of Bill 4, in 25 words or less?

Mr Dickie: The retroactivity. It only takes two.

Mrs Y. O'Neill: Okay.

Mr Dickie: With respect to the subsection, the subsection is particularly prejudicial to smaller landlords who cannot get or do not get proper rent review advice. For the big landlord the change that the government proposes in the bill will not hurt them. I will just turn around and propose 10% more than I was proposing before. At the moment, I try to target very closely to what we will get, so as not to interfere with the tenants' lives unnecessarily, but if I know that if we cannot get any more than I asked for, I am going to have to ask for 5% or 10% more or the landlord will lose the money permanently and, frankly, I may be sued. I am not looking forward to either prospect.

Mrs Y. O'Neill: Thank you very much for bringing this forward.

The Vice-Chair: Thank you very much for a very provocative presentation.

THÉRÈSE MAHONEY COUSINEAU

The Vice-Chair: Our next presentation will be from Thérèse Mahoney Cousineau. Good morning. You have no doubt seen the other presenters, so you will have 10 minutes to make your oral presentation, followed by 10 minutes of discussion with the committee. Would you identify yourself for the purposes of Hansard and then begin.

Ms Mahoney Cousineau: Good morning, members of the committee. I am pleased to be here and to be able to make a presentation on behalf of myself. I am, I guess, what you would call a small landlady, not literally but I have a triplex and I act as repair person, janitor, accountant, cleaner, electrician and painter. Maybe Smith would drop dead if he heard that. Over and above that, I hold down a full-time job and a part-time job. My reason for purchasing the triplex was for my senior years, if I might call it that, so that I would not retire from work completely and that it would possibly be a good investment, because over the years, raising a family, I have not been able to keep full-time employment and therefore have a reasonable pension to support myself.

I also own a property in Quebec and I will just be brief on that. I find the laws there so much more flexible. I have had no problems with rent review. There are no problems of going to the rent review board and presenting these numerous forms in 10 different copies with all figures justifiable, receipts and whatever. It is much more flexible and there are hardly any problems. I do not have problems with tenants and I do not have problems with the rent review board.

There is another comment I would like to make, and this is just passing by. I find the words "landlord" and "landlady" very oppressive. It is very archaic. I do not know where it goes back to. It seems to give, right away, an arbitrary position to the landlord and to the tenant. It maybe could be cleaned up, I am not sure how.

My triplex was purchased in June 1989. I had a private evaluator to look into the structure of the building—the roof, the plumbing, the heating—so that my investment would be sound, the result being that it was a sound build-

ing, an older building, and would need repairs from time to time. For example, it was an old furnace. The roof may need repairs in 10 or 12 years. I also checked with the rent review as to the possibility, if needed, for renovations and repairs and I was explained how the rent review operated in Ontario and that there probably would be no problem.

The building is financed at 100% and presently I am experiencing, with the refinancing, about \$200 per month loss. I called the rent review and asked if it was possible to present an increase and I was told that I would be given a seminar with a group of other small land owners or property owners and that I would be able to fill in these forms by myself, that it would not be a costly affair, but after the seminar I found out that there are about 10 copies, both-sided, with all these figures and all these works. So I finally had to go to an accountant to get this done.

Then I was told that because it was June 1989 I should wait for a full year to look into getting a rent review into the matter. So after a year I presented my claim to ask for a rent increase for the amount that I thought was reasonable and then I was told: "If you wait until January 1991 you will then be able to claim more. You'll be able to claim 5.4% or 5.6% increase, so it would be more feasible for you to do that."

Now I am caught between Bill 4 and being able to make a presentation. Although I have already paid the accountant and the person to prepare all these forms, I am left with these other costs over and above the already \$200 per month that I am losing.

Again, there are no problems with the tenants I have presently, other than slow rents. How do you collect rents? That is one thing that I do not think the new bill addresses. How do you collect rents from people who are slow paying? My mortgage comes due to my bank on the first of the month and I have to pay it, otherwise I have penalties. So how do you deal with your renters?

I am now left with expenses that I have incurred by believing that I could eventually recuperate the moneys. I almost had a 100% promise that, "This is law, you can go forward with this and there is no problem." But now in November, with a new government, I am told, "No, you can't; you can't do any repairs that you will be able to recuperate," although the furnace is aging and maybe next year it will not be functioning. So what do I do? Do I put out moneys of my own when I am already at a loss, or do I leave the tenants without heat? It is very difficult for me as a working person to understand the rent review process and why this has become the whipping men's toy joy in our province. Property owners have this continual black cloud over their heads.

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Successive governments have spent enormous sums of money to regulate and sterilize rents, vast sums of taxpayers' money to bring rents under control, to whose profit? Neither the landlady or the property owner are profiting, nor are the tenants.

I am sure that there are poor property owners. I do not disagree with that, but I am sure the percentage is very low, because we buy properties in order to eventually be able to sell them; therefore we have to upkeep them.

There are also lousy tenants, and I am sure there are some of them out there, but governments have not changed that or improved it. These people still exist and will continue to exist no matter how much regulation. Greedy property owners are allowed to continue to find a way to outsmart the system, just as bad tenants continue to plague society: late rents, broken or damaged walls, etc.

There is no cure for all ills in our society. What governments should be looking at is the safety and the rentability of the units, and how to prosecute the culprits, not to try to regulate where there is no real problem.

If regulations are needed to keep property owners honest, fair and reasonable, then governments should be seriously delving into the need for regulation into, for example, food, clothing, oil and other necessary items of consumption. One would assume that if regulation is the cure for all ills of our business, then it is necessary to protect consumers against possible gouging of oil companies, clothing companies and food companies.

Oil companies recently raised their prices when they heard of the Gulf war, although nothing really happened to change their revenue or their expenses. I did not hear any government, or this present government's outcries of, "How can we control this?" Why are they making unreasonable profits? There are poor consumers out there. The recent Gulf war brought the price of oil up the following day, with no controls. Why are we not having controls? Are these companies too big, too powerful, too multinational?

An article in the *Globe and Mail* on 8 February reads that Hydro's finances are shaky. This is Ontario Hydro. Electricity rate increases are to outpace inflation, and if you have a moment, I would like to read just the first paragraph from it. It says:

"Electricity prices in Ontario will rise faster than the rate of inflation during the next three years because Ontario Hydro needs to increase its profit to meet its financial targets."

Then it goes on to say that "Hydro is different from a private company, the government's return should not be as high as a market-based rate of return."

I am wondering if that is contradictory or if I am understanding it properly.

You must find moneys elsewhere if your tenants cannot afford housing, more than 5.6%. If my tenants cannot afford more than 5.6%, where am I going to find the money for paying the increases of the 10% for hydro? Last year, school taxes in the municipality of Vanier increased 26%, municipal taxes increased 16%, and as a result of that, this year I am now paying \$30 a month more than I paid last year. I do not get an increase from one of my tenants of \$30 a month. That is just taxes. We are not talking about anything else. We now have to pay 7% GST. That is 7%, and it goes on and on.

The Vice-Chair: Ms Mahoney Cousineau, if you would like to conclude your remarks, please.

Ms Mahoney Cousineau: No legislation is going to cure all society's ills. If that were so, crime would be wiped out, theft and fraud would be gone.

In closing, I would like to say, do you not think it is time to protect the poor landlords and property owners and not only the renters and tenants? There are small property owners out there, a lot of them, and we as a society are moving towards privatization and deregulation in most of the governments, they say that this is good financial and business management, while our Ontario government is putting on more restrictions and more regulations to the rental industry. We are told that we should be masters in our own houses and I am wondering who is going to be masters in our houses from now on.

Ms M. Ward: I enjoyed your presentation. You pointed out an important problem with the current system in that it is too complex and landlords and tenants cannot understand it. You had to go pay someone to help you understand what you could and could not do under the system. Is that correct? You went to an accountant.

Ms Mahoney Cousineau: That is correct.

Ms M. Ward: You did not go to a rent review consultant then, which a lot of landlords have to do.

Ms Mahoney Cousineau: And landladies.

Ms M. Ward: And landladies, yes. As you say, that word is not—

Ms Mahoney Cousineau: It is very confusing.

Ms M. Ward: I find it, for women—maybe I am prejudiced in favour of women.

Did you take the statutory increases? I understood you bought the property in 1989.

Ms Mahoney Cousineau: I have not been able to get any increases since that time other than statutory.

Ms M. Ward: You did take the statutory increase, which was 4.6% and would be 5.4% for this year.

Ms Mahoney Cousineau: Yes, I did.

Ms M. Ward: But at the time you purchased the property, you did not realize that you would have the financial loss?

Ms Mahoney Cousineau: Yes, I did realize, because there are no properties that I am aware of in the city of Ottawa that have cash flow. They are at a loss, most of them, because of the increase in the prices.

Ms M. Ward: You financed the whole property.

Ms Mahoney Cousineau: The 100%, that is right.

Ms M. Ward: I am not making any judgement there. I believe you should have a fair return on your investment, but essentially then you have no investment—aside from your labour, which is a substantial thing, you did not make any financial investment in that?

Ms Mahoney Cousineau: It is financial investment that I have to meet my payments every month, which is over and above my rents that I am able to claim. I am paying the hydro out of my own pocket.

Ms M. Ward: That is one other thing I did want to mention that you might not be aware of. Bill 4 allows for small increases above the guideline where you have extraordinary increases in some of your fixed costs, in which you have no control, such as taxes. If the taxes in your municipality have increased a great deal more than the

average on which the statutory—there is a tax component in the statutory increase.

Ms Mahoney Cousineau: Ms Ward, if you will permit me to answer, I realize that. But you also have to realize that disbursements have to be made one year before you can claim them, so therefore you are at a loss for that particular year, which you have to recuperate or be able to recuperate somewhere. If you have to borrow the money from the bank you have to pay interest on it, whereas if you go to the rent review board you have three months then before you even are looking at a recuperation of that amount of money.

Ms M. Ward: I understand your point. It is the money in the meantime.

I just wanted to say this is interim legislation. The quicker we get this passed and get to work reforming the old RRRA, the better, I think.

The Vice-Chair: Mrs O'Neill, the member for Ottawa-Rideau.

Mrs Y. O'Neill: Thank you very much for coming this morning, Ms Mahoney Cousineau. I do feel you have learned a lot in a short time. You said you came into this field knowing very little and you seem to have learned a lot of it the hard way.

I have a lot of difficulty thinking this is interim legislation. I think it is unfortunately a lever to something that may be following in its footsteps. That is a personal opinion.

I think you have reiterated to us that small landlords have a very difficult time with cash flow, and we have heard that from several presenters even this morning. You said several times that you were advised that this was not a good time to do things. Could you tell us a little bit about who was advising you that you should not proceed regarding the increases that you thought were justifiable?

Ms Mahoney Cousineau: Yes, it was the rent review that is located here in Ottawa.

Mrs Y. O'Neill: And that was in the fall of this year?

Ms Mahoney Cousineau: Yes. The seminar was given in August. I do not know if I have lost—it seems something has changed. The seminar was given in August, and in September I started preparing my documents. When I called in November I was told: "You should wait until January, because in January you're going to get a better increase. You're going to get 5.6% plus whatever you ask that is reasonable for major renovations or replacement of existing equipment."

Mrs Y. O'Neill: I am very sorry that somehow or other there has been I think rather misguided information given to you, because I really do feel, and I hope that in the future it will be useful, that you will proceed with a rent review application as soon as it is in order. I really do hope that the regional housing or rent review group in Ottawa here is continuing to receive applications if landlords and property owners want to present them. I feel very strongly. This legislation has not yet passed and it has come to our attention in other centres that it is being acted upon as passed.

Ms Mahoney Cousineau: As passed. That is correct.

Mrs Y. O'Neill: It has not been and we do not know whether any amendments will be received. So I am glad you brought it to our attention, because hopefully the ministry will be making sure that its branches that deal with rent review are acting on the legislation that is now in existence, which is Bill 51.

Ms Mahoney Cousineau: Thank you, Mrs O'Neill.

Mr J. Wilson: Thank you, madam, for your presentation. I too want to pick up on what Mrs O'Neill's last point was, and that is, in a previous statement by the NDP the language being used sounds like the RRRA is not the current legislation. It is the current legislation until such time as this bill goes through or otherwise. Second, you are losing about \$200 a month, is that correct?

Ms Mahoney Cousineau: Yes.

Mr J. Wilson: I think what the government has said in many other places that we have been is that if you incur capital costs—if you need a new roof, a new furnace—you are to take that out of money that you have from God knows where, given that you are operating at a loss, and the logic again continues that, because you bought this building and it will appreciate over time, you are building up equity in the building, you are going to make money in the long run on this thing. What do you have to say about that, given Bill 4?

Ms Mahoney Cousineau: First of all, I would say that the same should hold true for all businesses in Ottawa or in the province, that they can wait to make a profit at some distant future and supply money out of their own pockets, and I think the economy would consequently suffer. I am not an economist, but I would assume this.

The Vice-Chair: Thank you for a very enlightening presentation. This concludes the morning session. I would remind members that the afternoon session will begin at 2 o'clock. We will be in recess until then.

The committee recessed at 1212.

AFTERNOON SITTING

The committee resumed at 1402.

The Vice-Chair: Good afternoon. Welcome to the afternoon session of the standing committee on general government.

The work of this committee is to review Bill 4. We have been conducting public hearings throughout the province and in Toronto. Our first presenter this afternoon will be the Eastern Ontario Landlord Association. If the people representing that association would come forward and be seated at the table—

Mr Tilson: Mr Chairman, before we hear these people speak, I would like to speak to you on a question of privilege, and that has to do with the request that was made on a point of information this morning with respect to having the ministry provide us with specific information on the number of flips which have been alleged to have been made throughout the province and the amount of unnecessary capital expenditures that were to be made throughout the province, asking the ministry to provide that information as soon as possible.

It has been drawn to my attention, Mr Chairman, that the minister, when he made his presentation to this committee on 15 January last, outlined five examples of rate increases that exceeded 100%: 156%, 176%, 224%, etc. Mr Tumbull of the Progressive Conservative Party made a specific request at that time that the ministry provide details of those increases so that this committee could analyse that information the minister was submitting, specifically the addresses of these places and details that the ministry had, all the details. That information has not come forward.

My concern is that the request that was made this morning, if it takes three weeks, and we still have not had that information, how long is the rest of the information going to take? I would hope that that information would come as soon as possible and that you, as the Chair, would direct the ministry to provide that information.

The Vice-Chair: Fortunately, we have a representative of the ministry here with us and perhaps she could help us with the information the member has requested.

Ms Parrish: Sir, I am not sure if there has been a transmittal problem or not, but in a letter of 6 February to Mr Mancini, Anne Beaumont did provide that material. We have the information that was requested. I do not know if there has been some sort of transmittal problem or not, but I do have a copy of the material here. It has got a few little scribbles on the bottom, but I am sure we could get it copied again and resubmit it. If there has been some error, I apologize, but it appears to have been transmitted to the committee.

The Vice-Chair: I think, though, Mr Tilson was also concerned about the time frame we would need for the ministry to provide the other information that was requested this morning.

Ms Parrish: I have already phoned back to the ministry and asked for that material to be prepared as soon as

possible, and we will be working over the weekend to get it. Some of the material is quite readily available and some of it will actually involve having to go through a manual search of some of the rent review files in the 20 offices across Ontario. We will certainly use our very best efforts, sir, as we have in the past.

Mr Tilson: I must confess, Mr Chairman, I have asked for this information in the House repeatedly, particularly with the minister making allegations of flipping and those types of expenditures, as to why he is issuing the bill, and I cannot understand why it would take so long. However, I appreciate you have no control over that.

I have not received that letter, and if a copy of that could be made available to Mr Wilson and myself as soon as possible, we would appreciate that.

The Vice-Chair: I suspect all committee members would wish to have copies of that information.

Mrs Y. O'Neill: That is correct, Mr Brown. I know there are copying machines in this hotel, so I think we should have it this afternoon.

The Vice-Chair: That is a good idea, Mrs O'Neill.

Mr Drainville: Mr Chair, I just wanted to say also to the member of the ministry, obviously since they did do their work and they had that information available, to thank them for that and to acknowledge that there has been an error in terms of that particular portion. I too, as the member indicated, would like to see as soon as possible some definitions that we asked for this morning as well.

EASTERN ONTARIO LANDLORD ORGANIZATION

The Vice-Chair: I think we have some of our business done, gentlemen. If you would introduce yourselves, and the positions you hold within your organization, then you will have 20 minutes to make your oral presentation. It will be followed by 20 minutes of discussion with the committee. Each of the caucuses here represented—the New Democratic caucus, the Liberal caucus and the PC caucus—will divide the 20 minutes among them. Would you like to begin, sir.

Mr Caparelli: My name is Luigi Caparelli and sitting beside me is Jeff Gould. We appear before you today as members of the Eastern Ontario Landlord Organization.

I would also like to take a minute to acknowledge and thank everybody sitting behind us. Most of the people here are small landlords or are employed in the building and maintenance/renovation industry. They obviously feel they have a lot at stake in this legislation that is being proposed and they are here to show their interest in and their support of the Eastern Ontario Landlord Organization.

We are a joint committee consisting of representatives of small landlords and landlord organizations as well as large landlords. We have the support of some 500 landlords in eastern Ontario who own and manage over 40,000 rental units.

Our main concern is the retroactivity of Bill 4 and therefore its inherent unfairness. Bill 4 will delay a great

deal of needed repair work. It denies legitimate recovery of costs already spent and it will destroy many jobs that are badly needed in a time of recession. Bill 4 assumes that landlords are not entitled to any return on their property and their investment in rental housing. It blatantly discriminates against landlords. It hurts poor landlords and it helps affluent tenants. Bill 4 also prejudices most of the lenders in the province. Bill 4 seeks to solve problems that do not exist. It is based on myths and misconceptions.

At this point, I would like to go into some of the things that the committee was discussing prior to our presentation. Some of the information that we have is quite startling. We continuously hear about these 100% or 150% rent increases across the province due to luxury renovations, and one would think that they are common and everyday, according to the reports we hear. Our research has shown that out of approximately 1.4 million rental units in the province, there has been a grand total of 154 units where a rent increase in excess of 100% has been approved in the last two-year period—154 out of 1.4 million rental units.

One of the areas that Bill 4 will put a stop to is major repairs and allowances. Again, the retroactive nature of this provision is highly offensive. It is unfair and it is discriminatory. It literally confiscates repair costs which have already been incurred by landlords. Again, this will take away badly needed jobs. It is important to note that approximately 67% of the buildings in Ottawa are more than 20 years old. Things can only be fixed so often. At a certain point, systems have to be replaced. Bill 4 will not allow the replacement of these items.

The present rent review legislation allows for cost recovery over the expected life of the work that is being done. There is no profit built into the existing system for landlords. For example, if a landlord puts a new roof on a building and if we, say, assume that that roof costs \$5,000, at today's interest rates of approximately 12% a landlord would be granted an annual allowance of \$745.50. This is allowed once and over the next 15 years the landlord would recover his \$5,000 expenditure, although he has had to spend the money up front when he initially put the roof on. At the end of the 15 years, one would assume that that roof will once again have to be replaced. At this point, because of inflation, that same roof can reasonably be expected to cost \$10,000. However, the landlord is not allowed the full \$10,000. The present rent review system simply allows for an extra allowance for that \$5,000 differential. And this goes on and on. As you can see, there is no profit in there for the landlord.

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Bill 4 denies the legitimate recovery of these repairs, even though they were made or contracted before the bill was announced, and definitely before the 5 September election. Bill 4 denies cost recovery for major repairs even though landlords already have an order from the ministry allowing them to collect this amount. It is theoretically possible for Bill 4 to be retroactive on major repairs for as many as 1,123 days, and we feel that is innately unfair.

I would like to give you another small example about a real-life landlord here in Ottawa. Mr and Mrs Joseph

Franchina own a 14-unit building in downtown Ottawa. Between September 1989 and August 1990 they spent roughly \$19,145 doing necessary repairs. The bricks were deteriorating so they were cleaned of excess dirt; some floors were sanded; the exterior of the building badly needed painting so it was done; and there was a plumbing upgrade—for a total, as I said, of \$19,000.

The ministry allowed an allowance of \$4,213 for this work. Of that, \$794 was deducted from their statutory increase. So the total amount that was actually granted for the renovations was \$3,419. This works out to 4.3% of the current rents, rents which at the time averaged \$472 per month, and these are for large two- and three-bedroom units very close to downtown Ottawa. With the statutory increase, as well as the allowance for repairs, the rent would have been approximately \$514 per month, which works out to approximately \$20 per month for \$19,000 worth of work. We do not think that is excessive. For Mr and Mrs Franchina, Bill 4 is retroactive to September 1989, which is when they started the work, for a period of 454 days.

The minister has offered some solutions. He has stated that when the moratorium is over in 1993 the work done before 28 November 1990 may be considered under the new permanent rules. The minister's solution is simply not adequate. Landlords have to pay contractors now because the work has been done. Landlords have to pay for their loans right now. Landlords have to carry the costs of these rental improvements until the rent increases are allowed.

Bill 4 also has considerable side effects, especially the retroactive nature of it. The long-term effect on the confidence of potential builders and lenders in the rental housing industry will be severe. Potential builders and lenders will demand higher returns to risk their money on any investment in rental housing. This will mean a higher building cost and higher borrowing costs. Since it is obvious that rental housing cannot generate these higher returns, there will be less private investment in the building industry.

What we propose, if Bill 4 must be kept in some form, is that the retroactivity be eliminated and the cutoff date should be for 28 November 1990, the date that the changes were announced. This date must be tied into commitments or work already completed. It cannot be tied into a date of rent increase.

We acknowledge that there were some problems, some difficulties between landlords and tenants as regards capital expenditure allowances. Some tenants think that the lifespans for some items of work are too short. Conversely, some landlords think that some of the periods are too long. These agreements do not justify abolishing the system entirely. There should have been room for negotiations between the two parties.

Tenants also think that landlords can pay for major repairs without any extra rent increases. This is simply not possible. Rent review has depressed rents in the province for 15 years. In 1987 the Thom commission report, which was commissioned by the province at a cost of over \$3 million, came out. In that report, Mr Thom concluded that had it not been for rent controls, rents would be at a minimum

30% higher than they were as of that date. Therefore, there simply is not any excess money in the present rents to pay for major repairs. The market rents that you can get when a new building is put on the market will simply not allow for a landlord to recover his costs immediately. For all these reasons, there is simply nothing extra in the rents to pay for major repairs.

The minister has also said that there is a problem with luxury renovations, but there have been very few cases of luxury renovations. There are some luxury buildings in the province. Some tenants want and expect quality replacement of older finishes. For tenants to have a choice of apartments at different quality levels, landlords must be allowed to repair and renovate and to recover the costs of doing so.

The minister has also claimed that Bill 4 is justified in order to stop rent increases of 100% and over. Again, I would like to repeat those startling statistics that I set out at the beginning. There have only been 154 units out of 1.4 million rental units where a rent increase in excess of 100% has taken place over a two-year period.

If there must be a moratorium, landlords must be allowed reasonable rent increases to pay for necessary major repairs. If need be, these allowances could be capped and phased in at a rate of 10% per year in most cases. The cap has to be higher than 10% where a landlord is starting out with a very low base rent.

I would like to now get into the area of financial loss allowances. The Eastern Ontario Landlord Organization opposes Bill 4's treatment of financial loss allowances because it is unfair and discriminatory. It hurts landlords who have average or below-average incomes. It will cause extreme hardship to landlords who have recently bought or built buildings. It also causes extreme hardship to landlords who own buildings with affordable rents. It also benefits many tenants who do not need any help.

The tenants who need help to afford housing need that help because their incomes are low. Any policy intended to help them should address their income problem and be funded by society as a whole, not by taking money away from landlords to give it to tenants. We acknowledge that according to Statistics Canada roughly 28% of tenants are paying more than 30% of their income in housing, and something should be done to address that problem, but this is not the way to do it.

Prior to Bill 4, under the Residential Rent Regulation Act, landlords were allowed extra rent increases called financial loss allowances. The allowance is limited to 5% of the rent each year, and so the loss is eliminated over a number of years. The past losses are never recovered and the allowance does not allow for any profit. Bill 4 cancels many orders which have already been made allowing this allowance. Bill 4 seriously harms many recent purchasers. I would like to give you another specific example.

Gordon Brownlee bought a 10-unit building in Ottawa on 31 May 1990. He paid \$582,500 for it. He assumed a mortgage of \$358,000 against the building and he gave a vendor-take-back mortgage of \$140,000, for a total mortgage financing of \$498,000. He paid \$84,500 as a down payment. Mr Brownlee had been saving this down pay-

ment for 10 years. He expected to lose \$120,000 over the next six years until the building breaks even. If financial loss allowances are taken away, he will now lose \$275,000 over the next 15 years. Because of Bill 4, the property is now worth at most \$524,000, a drop in value of 10%. The financing is still \$498,000, so that Gordon Brownlee's equity is now only \$26,000, a loss in the value of his savings of 70%.

Mr Brownlee can sell his property now. If he does that, he has just lost \$58,500 before he has paid any real estate commission fees or legal fees. If he holds the property, he will have to pay the losses from his salary for many years to come. He expected there to be losses, but relied on the allowances provided by the Residential Rent Regulation Act to reduce those losses gradually over time. In effect, his other income is being stolen from him and given to his tenants. Because of this, we oppose retroactivity.

Orders cannot be cancelled after already being made. Landlords have relied on rent increases allowed by the Residential Rent Regulation Act to reduce these losses gradually over time. Landlords will have to try and pay these losses from their salaries. The losses are money which is stolen from landlords and given to tenants regardless of tenant need. Lenders relied on orders and phase-ins under the rules then in force. Bill 4 will seriously harm long-term owners and it adversely affects lenders. Bill 4 has driven down the value of every property with affordable rents, it has stolen many people's retirement savings and it puts lenders at risk of defaults because of losses landlords cannot pay.

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If Bill 4 is kept at all, the solution to retroactivity is to make the cutoff date 28 November 1990. That date must be tied into the date that an agreement of purchase and sale was made, not the rent increase date. To correct the problem for the long-time owner with affordable rents, the solution is to exempt sales of buildings with low rents which were last sold more than five years ago. This measure will avoid penalizing the long-term owner and leave intact crucial retirement savings.

The minister says that phase-in periods of 10 years are ridiculous and show the system is not working. We have come across very few phase-ins that last 10 years. Any that do, tenants have been paying a fraction of the cost of their accommodation for years. Because of the restrictive 5% financial loss cap already in place, they will keep paying a fraction of the cost for 10 years to come. It is landlords who have the right to be offended by 10-year phase-ins, not tenants.

The minister says that repeated flips of rental buildings are creating artificial costs and that Bill 4 is a necessary temporary measure. There are actually very few flips, regardless of how you define the term. According to a study by the city of Toronto housing action committee, which can be made available, the number of flips was extremely low compared to the overall number of sales in buildings in the Metropolitan Toronto area.

Again, the moratorium is unfair, unjust and undemocratic. It forces landlords to pay unexpected and undeserved financial losses. It will have a long-term effect on

the confidence of potential builders, purchasers and lenders in the rental housing industry. They will then demand higher returns to risk their money. Borrowing money will cost more. Building and repair costs will cost more.

It also sets a precedent for doing away with financial loss allowances permanently, and that will end all private building of rental housing. If the private sector will not build, the government will have to. Past experience shows that the cost will go up when the government builds or pays. The costs of building rental housing have to be paid. The only logical way to pay the costs is for the users of housing to pay rents that cover the costs.

As a comparison of costs between the public sector and the private, I would like to refer the committee—either now or later they can look at it—to appendices to the brief that we have submitted which show some cost increases incurred by the Ottawa-Carleton Regional Housing Authority, which is the ministry's crown agency in this area. It shows that their day-to-day maintenance costs for the past few years have been rising well in excess of 10% per year. This is in addition to roughly \$7.5 million each year spent on capital renovations. If you want to break that down a little more, the \$7 million on capital renovations is spread over 8,600 units. That works out to \$73.21 per unit per month. On an average rent of \$550, that would imply a 13.3% rent increase every year for the capital expenditures alone.

Bill 4 also has other side effects. It will severely curtail all private investment in housing. It will mean all new rental housing will be built by the government with taxpayers' money. This will result in tax increases. Money will be taken away from other government programs. It will also reduce the value of apartment buildings, thus wiping out many retirement savings. It will reduce the supply of housing. It will destroy tenants' rights to choose the type and quality of housing they will occupy. Bill 4 does absolutely nothing to solve any tenant's affordability problem.

If Bill 4 must be kept, the solution is to disallow applications for the financial loss allowance on any purchase occurring within five years of the previous sale but leave the allowance intact in other cases.

I would also like to briefly go over some of the other aspects that are affected by Bill 4. The Residential Rent Regulation Act allows landlords to recover increases in maintenance costs which are abnormally high. Sometimes these costs are not within the landlord's control. In other cases, the cost increases are within the landlord's control but they rise because of an intentional increase in the quality of maintenance and services. Such an increase should be rewarded, not penalized or ignored. The allowance for extra maintenance cost increases should not be changed. If reform is needed, only the following should be disallowed: one-time increases or deliberately induced cost increases which do not improve maintenance or facilities, and these are very rare.

The Residential Rent Regulation Act also allows financing costs of up to 85% of the acquisition costs of a property. Bill 4 will limit this to 75%. The allowable financing limit should remain at 85% because it is the tradi-

tional level of financing on real estate investments. Smaller and first-time investors need the borrowing to obtain a foot in the door in the industry. Reducing the limit to 75% will prevent new investors from entering the housing industry, which will reduce competition and be bad for tenants in the long run.

I would also like to touch on another aspect, which is justifying more than requested in an application for whole-building review. The Residential Rent Regulation Act provides that the ministry may allow a higher rent than the landlord has requested if his or her costs justify that higher rent. This policy should be maintained, because smaller landlords who cannot afford to get proper rent review advice need this protection. They already cannot claim the justified rent until 12 months after the date they should have received it. They should not be further and permanently penalized.

Bill 4 also changes the time required for tenants to pay back rent arrears. The practice under the Residential Rent Regulation Act has been for either party to pay the other within 30 days. This practice should be continued. Pending an application, the tenant need only pay the statutory increase. Due to delays, landlords bear substantial costs to carry money that they should already have received. Tenants are usually advised by their agents or community legal services to put sufficient money aside to pay the order when issued.

Finally, I would like to get into some suggested recommendations that we would like to make.

Our first and obviously our preferred route is to abolish Bill 4 entirely. Bill 4 is too flawed to be corrected by amendments. The Legislature should refuse to enact it and leave the current rules in place until permanent reforms are enacted.

If Bill 4 is enacted in some form, the following changes must be made:

Retroactivity must be eliminated. Bill 4 must not apply to major repairs made or contracted before 29 November 1990. It must also not apply to agreements of purchase and sale made before 29 November 1990. It must reject the use of the rent increase date as the cutoff date.

It should allow financial loss allowances on sales of buildings which were last sold more than five years ago. It should allow all existing orders and notices of phase-ins to continue. It should allow cost recovery of necessary major repairs during the moratorium. These allowances could be capped at 10% per year except when rents are extremely low.

It should also allow rent increases for financial losses. Increases from flips can be eliminated by refusing allowances on purchases when the last previous sale was less than five years ago. It should continue to allow extraordinary maintenance cost increases in all normal cases. The new 75% financing limits should only apply to purchases made after 28 November 1990. Equalization should continue, both in new orders and during the moratorium and in notices of phase-ins. It should continue to allow a higher maximum rent than landlords have requested, subject to the existing 12-month delay.

The Chair: Do you have more?

Mr Caparelli: No, that is it.

The Chair: Okay. I want to extend a warm welcome to all of our visitors who are here to watch the proceedings of the standing committee on general government. I will just remind everyone that these proceedings are an extension of the proceedings in the Legislature and we do not allow any demonstrations, and that is so that we can maintain order and to make sure that the presenters and the committee members can be heard at all times. Again, a warm welcome to each and every one of you who have come to watch the committee and I thank you in advance for your co-operation. The first questioner is Ms Poole.

Ms Poole: Thank you for your very excellent presentation today. On the first day of the committee I said publicly on Hansard to the minister that while we in the Liberal Party supported the principle that there should not be outrageous rent increases of 200%, while we supported that there should not be flippings encouraged and luxury renovations, we felt he was misstating the case when he said that this was rampant and widespread. Your statistics today certainly bear this out and that is what we have heard.

I also told the minister that we would not be willing to support this bill on third reading in the Liberal Party unless there were substantial amendments. The first amendment we would like to see is to address the very draconian effects of the retroactivity. The second amendment we would like to see is that there is a provision for necessary repairs so that our buildings are kept in good shape, and the third problem we had with this bill is that there is nothing in the bill to discourage neglect of our buildings and we would like to see that addressed in the bill. Would you comment on whether you think these three items are something you could support and would support?

1430

Mr Caparelli: We definitely would support all three of those recommendations. I think that is a minimum position. Without making allowances for capital renovations, the buildings simply will not be properly maintained. That does not help anybody—tenants or landlords or future tenants—because the housing stock will simply deteriorate. An allowance for capital renovations must be allowed to continue.

Ms Poole: It sounds like you read my speech in the House, or maybe you wrote it for me. I think Mrs O'Neill is quite interested in asking a few questions.

Mrs Y. O'Neill: Mr Caparelli, you have brought with you very real people today, and I think you explained at the beginning of your brief why they are real people, people who are affected by the housing industry at one end or the other. I think what you have shown is that losses in investment, property, however modest that investment may be, are real losses. What we are asking by Bill 4 in the way it is now written is that private sector people, people who own two or three units, provide subsidy in the housing market. I think you have explained that very, very well.

The other thing that I think we have always talked about since these hearings began some three weeks ago was that retroactivity is being misunderstood. Some mem-

bers of the press are even suggesting that it is only back until 1 October, when this government actually took office. However, you have explained it very clearly, that it can be up to two years and in some cases up to three years, depending on financial loss phase-ins. So it has a very bad claw-back effect, which I think we have to keep emphasizing and which I do not think is and should ever become a principle of government in this province.

This is what is so frightening about Bill 4, and the members of the government have said over and over again: "We've got to get this out of the way. This is a temporary piece of legislation and we're going to bring in permanent legislation." Well, if this is their temporary legislation, whoa boys, I am worried about their permanent legislation.

We have had a great deal of difficulty on this committee getting expert witnesses. You did mention one, Mr Thom. We have got permission and the government members have agreed to have Mr Thom come before us next Tuesday, and I think you would be happy to know that.

You have two extraordinary charts before you, the one that talks about the public housing costs, and I think that is very helpful. Appendix D is very interesting to us as MPPs, and Appendix C is also very helpful.

My question to you is, you talked about equalization. That has not been mentioned much in our discussions. Would you tell us a little bit about that and why you think it should stay?

Mr Caparelli: There have been a great many misconceptions and misrepresentations regarding how equalization is presently treated. We have heard the Minister of Housing state on public record that rents are presently equalized to the higher rent. Nothing could be further from the truth. The present legislation equalizes around an average rent. There are also restrictions in that no tenant can be faced with an increase of more than 5% due to equalization.

To take a simple example of two units that are identical, renting at \$400 and \$500, they would not even equalize at \$450. The process would take several years. The lower unit would go up to \$420 and the higher unit would decline by a \$20 amount. We have that specific example in the brief. There is no net benefit to landlords of equalization. We simply think that it is fairer for landlords and tenants.

Mrs Y. O'Neill: Exactly, and that is what we have been promised by this government, fairness, and I find that very difficult, that that is being overlooked in this legislation.

Could you tell us about the percentage of luxury renovations? You have mentioned it. Have you got any idea? We have been trying to get figures on that.

Mr Caparelli: One of the difficulties is in defining what a luxury renovation is. The point that the Eastern Ontario Landlord Organization would like to make is that there are different buildings, with different standards. There is no doubt that there are buildings that were initially built as luxury buildings, because some tenants can afford and want to pay \$2,000 a month in rent. Those buildings should be allowed to be maintained at that level. At the same time, lower, more affordable accommodation

should be maintained at the same level. We have not been able to get any figures that show that there has been a problem with luxury renovations.

The Chair: Thank you.

Mrs Y. O'Neill: Thank you, Mr Caparelli, for an excellent brief.

Mr Tilson: Sir, both the NDP and the Liberal Party voted in favour of the support of Bill 4 on a second reading. Our party, the Progressive Conservatives, voted against it and we will be voting against it on the third reading for all of the reasons that you have outlined.

One of the arguments that the government members have been taking on this committee and in and outside of the House is that they have been saying that you landlords have all kinds of money, that you have been hoarding money over the years and you are ripping the system off and that you should be able to absorb these capital expenditures with the money that you have been hoarding over the years.

I guess I am interested specifically on your elaborating on the economic position of the small landlord. I say that referring to a newspaper article from the Ottawa Citizen on 22 January, which was not to do with your association but would have to do with an association that is meeting later this afternoon, the Ottawa Region Landlords' Association. They put forward some very interesting figures which I would like you to comment on. The comments in the newspaper were that:

"Small landlords in Ottawa are losing an average of nearly \$1,600 a year from their rental properties, Revenue Canada figures show.... The figures, compiled by the association, show that"—my eyes are bad—"14,870 individual landlords in the city lost money in 1988. The landlords combined for a total loss of \$23.7 million. The figures don't include corporate landlords, such as Minto, which account for more than half of the"—I hope I am reading this right—"78,000 rental housing units in Ottawa. The numbers are slightly better for small landlords across Ontario. Revenue Canada figures show the 355,000 small landlords earned an average of \$173 a year in 1988."

These are rather astounding figures and I would like to have you comment on that on behalf of your association.

Mr Caparelli: We certainly do not have—I mean, those figures come right from Revenue Canada statistics; you cannot argue with them. There are roughly 39,000 landlords in Ottawa-Carleton who own one or two units. That is where those figures come from. The facts speak for themselves. I do not know how I could add to it.

Mr Tilson: I guess the question is that one of the areas that you and other landlord groups have zeroed in on is the issue of capital expenditures. Landlords have come to us and simply said: "We don't have the money. We can't do it." You are saying the same thing. What is going to happen over this two-year moratorium period if these capital expenditures are not met?

Mr Caparelli: What is going to happen in most cases is that they will simply be delayed and it will then cost more to be done, because eventually they will have to be done. Landlords are responsible people. They will not

allow things to deteriorate to the point where there is a concern for safety. Those things have to be done. The point is that delaying things for two years simply means that there will be more costs to be incurred at the end of the moratorium.

Mr Gould: If I may add to that, you must also realize that in a structure of a building you can have deterioration at a very gradual level until a certain point and then it accelerates and it goes very quickly. Many, many buildings in Ottawa are in excess of 25 years old, and over this two-year period there is much concern that this acceleration period is now going to be in effect.

Mr Tilson: The Minister of Housing will be presenting to this committee on Monday his proposed permanent legislation. We anticipate that one of the areas will be making it mandatory that you, the landlords, will be obliged to create a reserve fund to make your capital expenditures. Do you have any thought on that?

Mr Caparelli: My only comment on that would be that he had better have a very large and efficient police force to police it, because the money simply is not there and landlords will—not because they do not want to, they simply will not be allowed, be capable of coming up with any extra funds.

Mr Gould: I would hope that the minister, if that be his decision in the legislation, does allow additional means to put that money aside and to collect it so that we can have reserve funds such as we do have in commercial buildings.

Mr J. Wilson: I too want to thank you for a very excellent brief. I am just wondering, if by chance Bill 4 goes through without significant amendment, as we are clearly outvoted on this committee, as we are in the House, are you anticipating a large number of bankruptcies? Any idea of how many of your members would be drastically affected by it?

1440

Mr Caparelli: We do not have any specific figures as to how many would actually go broke. They will all suffer severe financial hardship. They will have to continue to subsidize their buildings for longer than they intended to. Most of our members have full-time jobs elsewhere. They will have to continue at those full-time jobs and their salary will have to go towards subsidizing these buildings.

[Interruption]

The Chair: Order. Anything else?

Mr Tilson: Those are our questions.

Mr J. Wilson: Those are our questions, thanks.

Ms Harrington: I would like to thank you very much, Mr Caparelli and Mr Gould, for coming, and everyone for that matter. I thank you for your very well-prepared suggestions. You have laid it out very clearly. I would like to let you know that our job is to carry your concerns forward. As Mr Tilson said, we will be meeting with Mr Cooke next Monday to look further into this.

We have heard also that the rent regulation system under Bill 51 has certainly been flawed. It has hurt small landlords and certainly has hurt tenants in this province.

We have a clear mandate to examine the problem that is before us. We have heard mention of the two-year space of this interim bill. I would like to let you know that we look forward to a much shorter period, because we know that there will be difficulty and harm on both sides the longer that it takes to bring forward some legislation for the long term.

We want this consultation period to begin as soon as possible, and today is the first day of that with the people here in Ottawa. I want to ask you if you and the whole group would be willing to participate in further consultations for the long-term legislation.

Mr Caparelli: We certainly would be. That is what we are here for. We all recognize that the present rent review legislation is not perfect and it can be improved on. However, this is not the way to do it. You are basically taking a sledgehammer to crush a peanut.

Ms Harrington: I must disagree. This is not a peanut; this is a very widespread and deep problem in Ontario, and we have to examine it.

Mr Caparelli: Figures do not show that it is a widespread problem. I would also like to say that the people you are trying to help will not be helped by this legislation. Not one single unit will come on to the market. Any tenant who cannot afford an apartment today will not be able to afford it when Bill 4 becomes law.

[Interruption]

The Chair: I have to have help from everybody who is here and we have to have orderly proceedings. If I let one part of the proceedings become disorderly, then the entire proceedings may become disorderly. So please help the Chairperson and let's not have any more demonstrations. I know how you feel and I know you want to show your emotions and I appreciate that, but you have to help me ensure that these hearings from beginning to end are orderly.

Mr Gould: In due respect to Ms Harrington, a comment was made that—maybe I will throw the question back. We are under a two-year moratorium period right now. You said in all likelihood, or potentially that period would be reduced. How do you expect landlords, both large and small, to sit here and listen to something like that and accept a statement like that when since 1975, from all levels of government, provincial government, we have continually been told things and then it has been turned around upon us, from the time that this was temporary legislation 15 years ago.

So please do not take landlords as accepting everything, because we have been slapped too many times. This is a two-year moratorium. I do not know how you can sit there and say it may be less, okay? And I do not think it is fair to start putting that carrot in front of landlords. It is either two years or it is not two years.

Ms Harrington: The furthest date that this legislation can go until is January 1992. What I am telling you, and I thought it would be beneficial for you to know, is that the full intent of the ministry and the minister is to try to get good long-term legislation in place as quickly as possible, which is this year, because Bill 4 is not a long-term legisla-

tion; it is very much a temporary one. I just thought you should know.

Mr Drainville: I would like to speak about the issue of affordability, because obviously this is a very important issue. It is important to landlords and important to tenants as well. We know that the regional municipality of Ottawa-Carleton said, in 1986, that 37% of tenant households had affordability problems. We know that officials in both the social services and other non-governmental agencies have indicated that is significantly higher now.

What we have is really, in a sense, two very different approaches to this issue. We have heard from landlords, we have heard certainly from members on the opposite side, that the issue is not high rents, the issue is low income. It has been suggested by some landlords, and also by the members of the Progressive Conservative Party in fact, that the way to deal with this is to deal with it through subsidies.

One of the difficulties that I have with this issue is first of all in terms of the issue coming forth from the Progressive Conservative Party. We presently have a Prime Minister who is dismantling social programs in Canada and a party that has not always been supportive of increased social spending.

Second, what we have is a situation as well in which landlords indicate that high rents are not an issue. It is an issue. Not in every apartment building and not because of every landlord, but there are many tenants across the province of Ontario, and many in this region especially, as we have heard from other deputations—and will receive more as the time goes past—who have significant problems of affordability.

To say that is not the responsibility of landlords at this point is, I think, not acceptable. It is not only your responsibility; it is also the government's responsibility. That is one of the reasons why we are trying to put forth legislation and trying to begin a consultation on new legislation.

The question that I would like to ask you is a very nuts-and-bolts kind of question. It has to do with the fact that if we get down to capital expenditures, which are always a major problem in terms of replacing roofs or what have you, we have a situation right now where once a capital expenditure is made, let's say, for a roof and that increase is added to a tenant's rent, once that is paid for, that rent never goes down appropriately or commensurately. So one of the questions that I have is, from your point of view—as you say, you have mentioned fairness very often in your brief today—would it not be fair under those circumstances to ensure that once you have paid for that particular capital cost the rent is decreased appropriately?

Mr Caparelli: It distresses me to hear comments like this coming from a member of this committee. The present legislation clearly does exactly what you have just said should be done. Once the capital expenditure has been paid for and a landlord then has to go back to rent review to replace that item, that correction is made exactly as you suggest. You do not need Bill 4 to make this change. That exists clearly in the present legislation.

Mr Drainville: My understanding is that that is not what is happening in the province at this time.

Mr Caparelli: What is the problem, of course, is that this present system has only been in place for four years, so if a roof is supposed to last 15 years you have to wait 15 years before it can be taken away. Otherwise, the legislation does make that provision.

You talk about affordability, and I agree with you that that is a responsibility of everybody in society, not just landlords. There is an affordability problem. Something should be done to raise people's income. What Bill 4 does is take away jobs from people. Bill 4, during the moratorium, will cause people to lose their jobs and therefore even more people will have an affordability problem.

The Chair: Thank you very much. Our time is expired. I want to thank the Eastern Ontario Landlord Organization for appearing before the committee today.

OWEN KELLY

The Chair: The next presenter is Owen Kelly.

I want to note to all the members we ran over time on that presentation quite a bit. I am going to intervene more to keep us on schedule or we will not be able to complete our work today.

Mr Kelly, sir, you have been allocated 20 minutes, 10 minutes of which are for an oral presentation and 10 minutes for questions. I will turn the floor over to you. We just need you to identify yourself and whom you are representing, for the record, please.

1450

Mr Kelly: Thank you very much, Chairman. A special thanks to Mrs Deller, who organized my little time slot here. I appreciate it. And thanks to the honourable members of all sides of the House for the opportunity to come forward and express my views.

My name is Owen Kelly. I represent myself. I am a small landlord, together with a friend of mine, Wanda Noel, who unfortunately could not be here today. We own some 20 rental units in the city of Ottawa.

I also understand that Mrs Deller has been kind enough to distribute a page of comments that I had, and I will be talking to them in a moment.

I am a small landlord. I am a landlord; I am not a monster. I agree that there is legitimate social need to provide proper accommodation for the people of Ontario. I agree with that. As a taxpayer and as a person and as a landlord, I support that 100%.

At the same time, I will 100% disagree with any legislation which suggests that the cost of that social umbrella, safety net, should be borne by one segment, i.e., the small landlords or landlords of our society; with that I disagree 100%. I think that is unfair, I think that is unjust, because we are solving a problem which is a problem to all the residents of Ontario and should not be solved on the backs of small landlords.

I will now move to the presentation in itself and I will restrict my comments to two areas: I will try to talk about the interim control legislation and make some comments to that, and after that I will move forward to make what I

believe are some suggestions, legitimate proposals, that should be incorporated into any ongoing legislation.

The Chair: Just so you can plan your time, sir, you have not quite seven minutes.

Mr Kelly: That is fine. I do not think it will be a problem, Mr Chairman.

The interim control legislation that has been passed is a law that is retroactive. Landlords have followed the law, we have followed the law, I have followed the law; We heard discussions this morning about flips; I am not involved in flips. We heard discussions this morning about people gouging tenants with excessive rents, of increases of over 100%; I am not party to that. The highest increase that we have ever put forward under the law, that was approved and has now been rolled back, was 9%, which we had to have professionally prepared for us.

The timing of this law, this freeze, this roll-back, is extremely untimely. No one, I do not think, this morning has mentioned GST, and while that has been laid on by a different level of government than is yours, it is nevertheless a value added tax which rolls to the consumer, except in rental accommodation. Small landlords have nowhere to go to lay off this cost, but absorb it by themselves, and that has added 7% on all goods and services to landlords.

The law punishes every landlord. I have said that we have not gouged tenants, we do not have increases of plus 100%, and yet this law has retroactively been imposed on all landlords and has not punished the few landlords, perhaps the exceptional few, where action should have been taken to solve that problem. It is retroactive. And it is not retroactive, as the previous gentlemen mentioned, to 1 October. It goes back much further than that, ladies and gentlemen. It is draconian, it is unfair, it is unjust.

I would like to move forward to the more positive side of my presentation and talk about a permanent rent control system. You will get no quarrel with me that if there are unjust social problems, they have to be solved and they have to be solved by all taxpayers in Ontario, not the government, not landlords, but all people. I support that. But the rent control system that we have now is an unmitigated nightmare because it attempts to control all rents, it attempts to control all rents, and rents that do not even need to be controlled, because the tenant in that position is in a point in life and a position in life where he wants a certain level of accommodation and is fully prepared and wishes to pay for it, to accommodate himself or herself that way. The rent control system, when it is a blanket over all rents, is cumbersome, costly, inefficient, etc.

I believe the rent control system in the future should attempt to provide a safety net for those less-privileged people who are caught in the squeeze and are being gouged by excessive rents by landlords, and that is where the new legislation should focus its attention.

I make an assumption here that the government of Ontario remains committed, that it needs small landlords, of which I am but one; and I do not know what percentage of accommodation in the city of Ottawa or the province is provided by small landlords, but I would suspect it is substantive. And I make the assumption that we still want to

proceed on that basis, that they provide it. Now, if I am wrong, it is time to 'fess up and it is time to get moving at building public housing—I for one would feel that that is not the right way to go—because clearly the present legislation is driving small landlords out of business and it is driving them away from providing adequate and attractive housing. Underline “attractive.”

My suggestion hinges on, to some, perhaps, a dirty word but I believe a rent control system in the future should be linked to a rent-to-income theory. Based on income, the province would pay a rent subsidy to a less-privileged tenant who could not afford it. The province could set that subsidy at any level. It need not simply give from the level that the person could afford up to the market rent. That would be wrong, because there would be no incentive there on landlords to reduce and keep their rents down. The advantages of this theory are multiple, and I have enumerated just some of them. To me it would be less bureaucratic, to me it would be more effective and efficient and it would be less costly to all taxpayers. The system would provide, on an exception basis, a safety net to people less fortunate who need to be provided with adequate, good housing, and it would provide adequate, good housing and attractive good housing to all the residents of Ontario.

With this positive climate, investment would begin to flow into the industry. We would not have the situation of repairs being deferred, improvements being deferred, with the fallout effect that that has on the construction industry, etc.

My suggestion for new legislation hinges very clearly on a subsidy system which is rent-to-income, which addresses the social needs of the less privileged. I thank you for your attention and I would be pleased to answer any questions that I may.

Mr J. Wilson: Again, a very good brief. I think we would certainly agree with your comments on the interim control legislation. I would like to point out that it is certainly my belief that the word “interim” or “temporary” is dubious at best. It seems to me in the world of politics, once you set something in motion and once you put it into legislation, it is very difficult to go back in two years to change that legislation to any great extent. Once we are further entrenching rent controls, it is going to be that much harder to have the flexibility to ever think of moving in any other direction, and Bill 4, to me, just further entrenches a system which—we have heard from witness after witness on both sides of the issue,—as difficulties.

I am interested in your permanent rent control system. I guess what I did not quite understand was, does this involve—I guess it is the private sector continues to build accommodation and it is rent-geared-to-income. How is this capped so that rents do not go up excessively? How are you capping this?

1500

Mr Kelly: I am suggesting here that, based on rent-to-income, if a person, a tenant, is capable of only paying \$400 a month rent but to find adequate accommodation that person, depending on the size of family, has to pay

\$600 in the marketplace, the government could subsidize that person, not the \$200, but \$100, \$150. I would not suggest simply the government going in and subsidizing from what the person could afford to pay all the way up to market, because there would be no incentive there for landlords to keep their rents down.

It would also have the benefit that people would select the type of accommodation within their reason. You would not have someone with a disposable income from rent of \$400 a month going out and renting a luxury accommodation. Have I answered your question?

Mr J. Wilson: Yes. We would agree, certainly in our party—and when I became an MPP, for instance, I bought into the idea and vowed to uphold it—that the government is responsible for the weakest members of society, and we would agree with a number of the landlords who say they are not responsible for the social programs. I am just wondering, as a bit of an aside, do you see any disincentive for people to earn a living, though, if you went to an across-the-board rent-geared-to-income system?

The Chair: You have time for a yes or no.

Mr Kelly: I am sorry?

Mr J. Wilson: Is there a disincentive to work? You always worry in bringing in a social program that it may in fact encourage people not to seek employment as readily as they might. Does your rent-geared-to-income system?

The Chair: Yes or no.

Mr Kelly: No more than under the present system. You will always have that in society, some who will not work.

Mr Cooper: To carry on with this line that we are on right now, I think what we have going here is a big play on words. First of all, when you say you are subsidizing people, are you not actually subsidizing the landlord? The money is not going to the people who cannot afford the rent, it is going to the landlord who is charging the rent. So we are talking a play on words. You are not subsidizing the people. You are subsidizing the landlord.

Mr Kelly: No, I would suggest that the subsidy should be going to the tenant.

Mr Cooper: And the tenant is going to pay it to the landlord, so you are not subsidizing the people at the lower end of the economic scale. That was just one thing I wanted to—

Mr J. Wilson: It is for their rent.

Mr Kelly: It is subsidizing the—

Mr Cooper: Right, but it is going to the landlord, not to the person.

Mr J. Wilson: Who do you think rents it out?

Mr Cooper: But the part I wanted to get on to was about the rent controls. You say you wanted to control it at the top end of the scale. I would suggest to you that if you did that you would have a lot of people at the top unhappy, and we are talking about fairness and that is why we are out here consulting, but I would also suggest that what would happen would be that they would stop building and they would stop investing and then eventually what would

happen would be that all the small landlords would catch up to them and then where would we be? There would not be one unit created through this plan. That is why the rent controls have to go right across the board.

Mr Kelly: I am sorry, I did not follow you when you talked about the people at the top would be unhappy. I am sorry. What did you mean by that?

Mr Cooper: You want to control the upper end of the rent.

Mr Kelly: Yes, for the less privileged who have difficulty in paying rent. Okay?

Mr Cooper: No, on the part you are talking about, you want rent controls. You do want rent controls.

Mr Kelly: I certainly want rent controls to provide a safety net for people.

Mr Cooper: At the upper scale.

Mr Kelly: For people in the lower levels, the less privileged, who have difficulty meeting payments to provide themselves with adequate accommodation. I support that and every landlord does, I believe.

Ms Harrington: I just wanted to make a quick comment. We need small landlords in this province. That is part of the way we provide housing and we always will. Second, we need fair profit for those landlords in this province.

With regard to the interim nature, I want to assure Mr Wilson that the reason these hearings are so compacted is that we want to get on to the long-term legislation right away next week. We would not have the green paper next week if we did not know that this was an interim legislation only.

Mr Brown: I am very pleased that the parliamentary assistant to the Minister of Housing has given us this assurance about the interim legislation. I know we all feel much better about that, and I think we all suspect that we will see a government amendment next week that will suggest that it will be at the end of this year that the interim legislation will be on. You are making that assurance to all the presenters who come in, and the government of course has control of the agenda, as we all know. That is why these hearings are so short.

Anyway, you have been here. I have noticed you in the audience and I did not see any horns. I think you are real people, not a devil or anything, and you are not wearing a black hat. After having talked with our esteemed panel of economists over here, who obviously believe that it is very, very lucrative to be a landlord, who obviously think there is lots of money out there—who, by the way, have control of a huge amount of dollars. For example, there are \$20 billion, approximately, in public service pensions in this province, \$20 billion that they administer as the government of Ontario in public service pensions that I think they would be suggesting to their friends at the Ontario Public Service Employees Union and the Ontario Secondary School Teachers' Federation, among others, be invested in this very, very lucrative investment of being a landlord. I am sure that would create a lot of rental housing

and would help the small landlord along the way. Would you think that would be a good idea?

Mr Kelly: I do not want to comment on that because that is an area in which I am not very well versed, but I can talk at length about the loss to small landlords. Somebody earlier read figures of \$800, \$1,000 loss per—okay. In the past year, our loss per unit approximated \$2,500-plus per unit. I must admit that some of that is related to interest. That is a federal government policy and is not to be laid at the legislators of Ontario, but I cannot comment therefore on that fund. I do not know about that, but I do know what small landlords are losing in Ontario.

The Chair: Mr Kelly, thank you for appearing before the committee today. We appreciate your comments.

Mr Kelly: Thank you very much, Mr Chairman. I appreciate it.

SHIRLEY HALPERN

The Chair: Our next presenter, Shirley Halpern. Shirley, if you have had a chance to watch the proceedings, we are going to just continue on as we have.

Ms Halpern: I came this morning as an interested listener, and after listening I decided that I wanted to give my point of view as well.

The Chair: Certainly.

Ms Halpern: I am very concerned about the retroactive nature of Bill 4 and I am very concerned about the long-term effect of what is happening in the rental market.

I am a small landlord. I own two houses and I am part of a syndicate and my part of the syndicate in apartments is 42 units. With this syndicate, we bought it seven years ago and we have experienced a problem in that the elevators were unsafe and they had to be fixed. I had no idea when I went into the investment that it costs \$100,000 to service an elevator properly. We had a vote on this and it was decided that we should look after the elevator. Since you are from Toronto, I do not know if you are aware that one person was killed in an elevator in the Lord Elgin Hotel this summer and one person was killed in an apartment building because of a faulty elevator.

From a moral standpoint, I am very glad that we went ahead and we took a bank loan and we fixed the elevator. As an investor, it has been disastrous, because it is not only the \$100,000, but we had to take a loan for this, so we also have the interest costs to carry.

At the time that we took the vote, we were told not to worry because this is a legitimate expense and we can recoup it in our rental income. Now, of course, because of Bill 4, we cannot do this.

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I do not know what the solution is, but I think you should be aware of this. I think you should also be aware of the fact that when you put \$100,000 in a building, if you cannot increase the rents to show that increase in your investment, the investment is not worth \$100,000 more.

You may have some viewpoints that you want to give me on this, but I would also like to say that I do volunteer work. I happen to deliver meals on wheels. One of the people I deliver meals to is a Mrs Cooper, and she lives on

Stewart Street and she lives in an older apartment. She happens to be on the fifth floor. There is a little sign on her elevator and it says, "Use at your own risk." Well, I did it once, and I was so scared, you have no idea, so when I deliver her meal, I want you to know that I walk up five flights of stairs with a large tray, holding her meal, her soup, her salad and her fruit.

I do not want that to happen to my investment. I do not want to end up a slum landlord and I am really scared about it, and those were the two things I wanted to say. It is not only elevators, it is all types of things. Some people think that if you replaced carpets, that is a luxury. If you read last night's *Citizen*, the University of Carleton, what do they call it—

Mrs Y. O'Neill: Student housing.

Ms Halpern: They were complaining about the air quality of their housing and they had someone come in and check the air in the complex and they were told the reason the air was so bad was because of carpeting. So how long can you keep carpeting in an apartment without replacing it? Most large high-rise apartments do not have wooden floors, so you really do have to replace a carpet.

The Chair: Very good, thank you, Shirley. Is there anything else you wanted to add or do you want to go right into questions?

Ms Halpern: I will be happy to go into questions.

Mr G. Wilson: I am glad that you got a chance to give your presentation, Shirley, because I think it highlights one of the problems. I think you had some money, as you pointed out to me in our earlier conversation, and thought this would be a good investment. I am wondering, though, and it occurred to me after I was thinking about your predicament, whether you would have gone into that investment if you had known about the elevator.

Ms Halpern: First of all, when I went into the investment, I was looking at it as a long-term investment, and when I made my business decision—and it was a business decision. I am a third generation who lives in Ottawa and I am proud of my city and I hope that my children will remain in it and it was a long-term investment for me, okay? I do not say that I approve of rent control, but one of the things that made me feel that it was something I did not have to be afraid of was that there was a provision that if you wanted to repair your apartment, you could do so and then you could see it reflected in the rents. If that provision had not been there, I definitely would not have thought of putting my money in rental income, because I want to be proud of what I own and I want to be able to maintain it at a certain level, and if I cannot do that, I do not really want to be a part of it. I do not want to be a slum landlord and I do not want to see slums in my city.

Mr G. Wilson: You suggested from the safety viewpoint that that elevator should be working, and I think all the tenants would feel better about it. In that case I think they would agree, as we have been hearing here in a lot of the presentations, that there is a lot of reasonableness in this, even though it sometimes does not appear that way, that tenants realize costs have to be met. But the fact is, if it is going to break you as a landlord, then that does not

add up to the kind of arrangement anybody would like. So I think the question then becomes, again, whether you should have gone into that in the first place, since you could not afford a payment like that.

Ms Halpern: Okay, well, look at it this way: When you decide to invest money in something, it is up to you to investigate and find out what that investment is, all right? If I invest in the stock market, I look at the stock market, I look at the track record of what the stock is and I project what I think I am going to make on that issue. If they say they are going to give me a 9% return, presumably I am going to get a 9% return unless something really drastic happens and I can get rid of it.

When I went into the rental market, I looked at the apartment, I looked at what the rentals were, I knew there were rent controls and they said that I could get X number of dollars return. But they also said that if there were needed renovations, I could do the renovations and I could see that reflected in my rent. Unfortunately, the way this has happened, I cannot do that any longer, and what really concerns me is, right now it is disastrous because we have gone to the expense of doing an elevator. But what if there is something else that crops up that has to be replaced? Am I going to see my total investment go down the drain because I cannot do anything about it? I mean, I cannot take another \$100,000 bank loan the next time something else goes wrong.

Mrs Y. O'Neill: Ms Halpern, thank you very much for bringing to us a very personal story. I feel that what you are describing to us is that the rules changed midway through the game in your case.

Ms Halpern: That is right.

Mrs Y. O'Neill: Are you one of the people who was caught through Bill 4's retroactivity?

Ms Halpern: Yes, because of the major expense we incurred with the elevator.

Mrs Y. O'Neill: So you did not meet the deadline, which would have actually been June?

Ms Halpern: That is right.

Mrs Y. O'Neill: I feel that it is very accurate what you bring forward. Mr Mancini was speaking on Levinson-Viner Ltd this morning about carpet, and I did not think he was clear enough, as you have been, about the health and safety risks of carpeting. Certainly in apartments where seniors live it is not only the buildup of fumes and odours, it is also a hazard for people to walk on carpets after a certain point, and I think you brought that forward.

I think what you have brought forward to us today is that there is absolutely no distinction being made regarding capital improvements that have to do with health and safety, and that, I think, is something that cannot be overlooked. Certainly I think we would get support from many areas of the community, and even from the fire chiefs of the province, on some of the things that we feel will have to be changed about this bill if it is going to pass with our approval.

Ms Halpern: Thank you very much.

Mr Tilson: I guess my only comment to your question as to, what are they going to do about your problem, I think, from what we have seen so far, is that they are probably not going to help you at all and they are going to pass Bill 4. We will try and defeat it. We will continue to try and persuade them to make amendments, but I do not think you are going to find that this government is going to help you or people like you at all, and you may have to rely on groups such as the Fair Rental Policy Organization. You may know that they put forward a press release today indicating that they had a legal opinion which came from the firm of Gardiner, Roberts saying that the provisions of this bill, Bill 4, specifically violate sections 7 and 15 of the Charter of Rights, and that probably is your only hope.

Ms Halpern: May I say one more thing, please?

The Chair: Certainly.

Ms Halpern: I wrote a letter to Bob Rae and I wrote a letter to the Housing minister and I wrote a letter to the rent review board and I did not get one reply. I really feel very badly about it, and that was another reason I wanted to talk today. I wrote it 21 January. Thank you.

The Chair: Very good. Thank you for your presentation.

OTTAWA REGION LANDLORDS' ASSOCIATION

The Chair: The next presenter, Ottawa Region Landlords' Association. It appears that you have 40 minutes for your presentation. Were you given 40 minutes?

Interjections.

The Chair: A dress rehearsal? Okay? Is that what it says, 40 minutes? Now that we are fully dressed, we need you to identify yourselves individually and whom you are representing. You have 20 minutes for your oral presentation and 20 minutes for questions.

Ms Pchajek: I am Nicole Pchajek, the past president of the Ottawa Region Landlords' Association.

Ms Lerner: Elat Lerner, president of the Ottawa Region Landlords' Association.

Ms Pchajek: I am dressed in black hat and cape because this is how landlords are being portrayed. Why? Because in order to pass legislation as vile as Bill 4, landlords must be vilified. What has been said about landlords? It is said that they are gouging tenants. Whenever renovations are mentioned, there is always an insinuation that landlords are making luxury renovations. Apparently landlords are flipping their buildings and causing economic eviction.

I suggest to you that the problem that this legislation is attempting to rectify is not a problem caused by landlords. The problem is that a pre-election promise was made and the New Democratic Party wants to come through on that promise without acknowledging the long-term damage to the rental housing industry in Ontario. If a robber-baron landlord does exist, then we suggest that the government should target real excesses instead of using landlords as scapegoats.

1520

It is inexcusable to vilify landlords. We of course know why it is happening. One does not have to look far back in

world history to find governments who vilify a minority group in order to justify the government's ruthlessness.

The New Democratic Party adopted a motto, Agenda for People. Landlords and those who are supportive of landlords are today wearing this button to remind our government that landlords are people too. Yes, we are people who have made great investments in our time, great investments of our emotional and financial resources to manage and maintain rental housing. We now not only have to do the work involved in being a landlord but we have to direct our energy to defending ourselves.

Does it matter that this legislation will gravely discourage investment in rental housing in Ontario? Does it matter that the retroactive nature of this legislation will cause hardship and is simply unjust to those conscientious landlords who, in good faith, improve their buildings with capital expenditures? Does it matter that phase-ins have been voided so that those who are suffering financial loss will not eventually break even? Does it matter that renovations and repairs are not encouraged under this legislation? Does it matter that no one is served in the long run by this legislation?

It matters to the Ottawa Region Landlords' Association, and it should matter to every citizen of Ontario. Rent increases, on average, have been very modest in the Ottawa region. Statistics—which have been mentioned, and I will repeat them again—from Revenue Canada show that individual landlords in the city of Ottawa function, on average, with a negative cash flow. In Ontario, individual landlords make a profit, a grand total of \$173 per year. I would like to suggest that perhaps you already have non-profit housing. We are providing it. We do not deserve this legislation.

The construction of condominium apartments and town houses that are sold to investors is an important part of the rental housing stock in Ottawa. This morning there were people from the legal aid clinic in Cornwall. Their situation is a little different. In Ottawa, we have been counting on our condominium stock. What effect will the voiding of phase-ins have on this stock? Will investors sell their units and remove them from rental housing stock? Will builders construct condominiums destined to be rented when investors do not see rental housing as a wise investment choice?

We are going to have a crisis on our hands in Ottawa. The previous legislation discouraged the construction of permanent rental accommodation, and now this amendment, Bill 4, will discourage the existence of rental condominium units which up until now have filled the gap.

We add our voices to the others who expressed outrage at the retroactive nature of this legislation. How is it possible for a government to void phase-ins and rent review orders granted by a previous administration? Capital expenditures made under the Residential Rent Regulation Act should be honoured.

We do not see anything creative in the proposed legislation. It does not encourage growth nor improvement of our aging stock. It indicates that there is no future in private rental housing. Yet the public purse cannot pay for the housing requirements of future tenants. Taxpayers, which

directly includes tenants, who are taxed at a higher mill rate, should reconsider whether they want to pay the price of this proposed legislation.

Ms Lerner: I would like to tell you a bit about the history of the Ottawa Region Landlords' Association, just so you know where we are coming from.

We were founded in January 1988 by a handful of volunteers. Our first newsletter was produced in the late spring of 1988 with a budget of less than \$200. Our current membership right now is 282 members. Most of those members are very small landlords.

We charge our members \$25 per year and that hardly covers our costs. We have no paid staff, we have no office and we do not have an official phone. We answer the phones in our own homes when people want to talk to us. We are totally operated by volunteers.

We are here today to find out about the problems described by the government that brought about the introduction of Bill 4. We heard of landlords who are gouging their tenants. We heard of landlords who economically evict their tenants. Landlords are flipping properties. They are inflating the values and they are raising the rents by over 100%. We heard all those things, and we do not know, we are just individuals.

So we decided to ask some government agencies that collect information about the facts. What are the facts out there? Is that really the picture? Is that what is happening out there?

We went to Revenue Canada. We called them up, and those are figures that are available to anybody in this province who will pick up the phone and ask them that question. We did not make those numbers up. We just called Revenue Canada. They told us that in 1988, 355,340 individuals in Ontario filed statements of rental income. The total rental income for those 355,000 individuals was \$61,103,000. In the city of Ottawa, 14,870 individuals filed statements of rental income, and their income was not an income, it was a loss of a total of \$23,691,000.

So we just sat down and we did some basic arithmetic. We came to the conclusion that the average individual landlord in Ontario, this filthy-rich person, makes \$173 per year off his rental property. This is an average, so some landlords make more, but on the other hand, some landlords make less. The corresponding figure for Ottawa is a loss of \$1,593 per year. The average landlord in Ottawa loses \$1,593.

1530

On the other side of the coin, we know that the average family income in Ottawa-Carleton is over \$50,000. That means that the average family can afford to rent accommodations which cost in excess of \$1,250 per month. That is when you are using the 30% guideline. The average cost of rental accommodations, however, in Ottawa-Carleton is less than half of that at \$579.

We also went to CMHC and we asked them what kind of rent increases have taken place in Ottawa-Carleton in the last couple of years. We found out that the average increase between 1988 and 1989 was 3.7% and the aver-

age increase between 1989 and 1990 was 4.1%. This is less than the guideline.

Last, we collected figures from the regional municipality of Ottawa-Carleton and we combined them with CMHC numbers that we had and we did some simple arithmetic. We found out that there are over 41,000 landlords in Ottawa-Carleton. Of those 41,000, 981 own six or more units; 856 own between three and five units; and almost 40,000 landlords own between one and two units in Ottawa-Carleton.

Now I am sitting here today and I watch this proceeding and I really do not know what it is that we are doing here. We show you those statistics, but I hear that statistics do not really mean anything and that you can draw in two feet of water, so I guess there is really no point.

I am a small landlord myself, and I am not sure what it is this committee wants to hear that is going to convince it that, if there is a problem out there, it is not a problem for the tenants, it is a problem for the landlords. But if statistics are not going to do it, then I wonder what will.

I guess at this point I would really rather stop this presentation and have you ask me questions. I find this process rather humiliating, because I am being told that it is my own fault, I made a bad investment, I was not clever enough, so really, why am I here, why am I complaining? I guess at this risk I will open myself up to questions and see what I can say.

Mrs Y. O'Neill: Both of you have presented, I think, in the most graphic way the kind of stereotyping that Bill 4 has placed upon people who own property. I am very happy that you brought the Ottawa-Carleton statistics, and I know these are accurate and are up-to-date figures, that one to two units, almost 40,000 of these are small, small property owners who for one reason or another need a bit of financial stability, whether it be for the over 50% who have no pension and will never have a pension income or for one reason or another can only hold a part-time job or have a disability. They need a way to make a living and property is one way, and it is certainly an honest and upright way to make a living.

I think that because you are both women—and there have been other women today—that we should take note that we are now in an age of employment equity and I think it is very important that women be given the same rights and the same supports, and certainly in the beginning, women will be small property owners. So I hope you do not think what you have done is hopeless or that it will have no meaning. You no doubt are pioneers, and I am very, very happy that you have brought forward such accurate statistics. You have taken risks and you have done work, and for that you should be commended.

I want to tell you that we have had the same presentation from women in Toronto, in Sudbury and in London, Ontario. They all tell the very same story, and if we as legislators are not hearing it, then there is something very wrong. I really do hope that your presentation will make a big change, not only in Bill 4, which we are being told over and over is interim—frightening legislation, but interim—and the new legislation will take some of the things that the present government has stated are its themes, such

as employment equity, into mind when it is drafting what it is going to present as permanent legislation.

So please continue to be involved, and I hope you will respond to the paper we are going to have unveiled on Monday. I know that you will make a dent.

Mr Brown: I want to thank you for coming before us. I was impressed by the sincerity of your presentation and how well prepared you were with statistics that were very relevant to this particular area. I will say I was a little bit less than pleased that you forgot to bring the white hats of the people on the other side. None the less, we have had countless deputations such as yours in cities all across this province saying exactly the same thing, wondering why statistics and facts do not mean anything to this government, why political promises made in the heat of an election campaign mean more than reality.

I said yesterday in Sudbury, and I am going to repeat it because I think it is worth while, the difficulty that our friends across here have is they made a lot of promises in a wonderful document called the Agenda for People. Obviously they were trying to win an election, and obviously it worked. The problem is, nobody can keep those promises. They know that. But their biggest problem is that they do not know which ones they should keep and which ones are the silly ones.

So we are here today, watching them pursue one of the silliest promises that they made, and I, like all members of our caucus, am very disturbed that this is the election promise made in Agenda for People. This is not interim legislation, as they like to say, unless they are going to deny their election platform in Agenda for People, so you have every right to come before us and be most nervous about their long-term plans, because those long-term plans could very well be the Agenda for People. And I believe you are real people. I believe the other people in this room are real people. I wish you well and we will do our best on your behalf.

Mr Tilson: I understand very much your cynicism of it. We have had people come with statistics. We have had people come with emotions. We have had people come and cry and break down. Maybe Groucho here should do a soft-shoe routine. Maybe that would work, because nothing else seems to be.

I will say that the NDP have admitted that the moratorium it is not the right legislation for permanent legislation, as has been said. The minister, Mr Cooke, has said, "I believe you can't ignore capital improvements." He has gone on record as saying that.

However, they had all last summer. After the election they sat around all fall and thought up things. They called the House back for a month, introduced Bill 4, and are still thinking about it and probably will be thinking about it until this summer.

I guess my question to you, on behalf of the organization that you represent, is: While the NDP is proceeding to continue to think about what it is going to do, with Bill 4 in place—and I believe it will be in place, unfortunately—will you be able to survive or will people in your organiza-

tion be able to survive with the economic disaster that it is probably going to bring?

1540

Ms Lerner: I guess I will answer for myself. Am I going to go bankrupt? I think the answer is no. I have been a landlord since 1980 and I have been losing money every year since 1980, in the thousands of dollars, and I have not gone bankrupt. What I do is, I have a job and the money that I make from that job goes into the money that it costs me to carry those properties and I have not gone bankrupt back then and I am not going bankrupt right now. All I have to do is keep on working at my job and using whatever money I make to put into my properties. I do not own a car, I do not own a home, I live very modestly and I guess I have no reason to go bankrupt. I just use my own money to support my tenants.

Mr Tilson: Generally speaking, I was listening to your statistics with respect to the Ottawa area. I have asked this question in the cities that we have travelled to around the province, and generally speaking the answer has been the same, that this is basically a Toronto problem, that there are serious problems in Toronto. Yes, some of the problems exist throughout the province, but the seriousness of it exists in Toronto. Is this a Toronto problem? Are the problems in Toronto different than that of Ottawa?

Ms Lerner: It is hard for me to answer this question. It seems, from where I sit, that there is a lot of rhetoric being thrown around. I have not really seen any concrete evidence of hardship out there, tenant hardship. We hear of it, we hear of gouging, but I just do not see it and I am not sure where it is. If we look at our statistics, obviously tenants in Ottawa are paying a very small proportion of their income on rent. So if there is a problem out there, I would like to know about it. I have not seen it.

I see hardship for the landlords. I see people who are hardworking people who can hardly make ends meet. Being a landlord is not one of those things where you just go in and buy a property and sit back and collect the money. It is a lot of hard work. I am on call seven days a week, 365 days a year. My tenants can call me any time of the day or the night and I have to come and fix the problem. I do not have enough money to pay somebody else to fix the problem, so when there is a problem I go there and I fix the plumbing, I paint the units. That is what I do in my spare time.

Mr Tilson: We have lost our Chairman. Well then, great, I can go on. Let's go carrying right on here. One of the areas that our party is concerned with, of course, is the allegation that there has been a lack of communication between tenants and landlords as far as capital expenditures are concerned, that capital expenditures are made without consulting the tenants. One of the solutions that we will be putting forward is a democracy clause; in other words, that capital expenditures cannot be made without consultations with the tenants. Would you support such an amendment?

Ms Lerner: The system is quite complicated as it is. There are other speakers here before who commented on

it, and any introduction of more red tape is just going to make it totally impossible.

Ms M. Ward: I have a couple of things I would like to ask you to comment on. First I would like to say, though, referring to Mr Brown's comments, that either he has changed his mind or my recollection is very bad because I thought the Liberal Party supported Bill 4 on second reading.

Mr Brown: We can clarify that, no problem.

Ms Poole: Mr Chair, on a point of order: Yes, the member has raised a question about the Liberal stand on Bill 4, although I have mentioned it a number of times on this committee. Perhaps I need to reiterate it for Ms Ward's benefit and for the benefit of those in the room. We as a party supported the principle of Bill 4, that there be a moratorium to take a second look at the rent review legislation and decide what was workable. We supported the concept of tenant protection, but we also made it extremely clear that we do not support a number of provisions in this bill. When one is voting on second reading, one is voting as to the principle of the bill and whether you as a party and as a member can support that principle. We support the principle. We do not agree with the provisions such as retroactivity, such as the fact there are no capital repairs and such as that it is treating all landlords the same whether they are abusing the system or not.

Mr Abel: Mr Brown said it was a silly bill.

Mr Brown: And I am right.

Interjection: You are not kidding.

Ms M. Ward: I accept Ms Poole's comments. They clarify their position. Can I get back to—

Interjections.

Ms M. Ward: Do I have the floor, Mr Chairman? May I ask the witness a question?

The Chair: That really was not a point of order; it was a point of information. But we will proceed.

Ms M. Ward: I wanted to ask you to comment on an aspect of the income figures here. You represent small landlords; I believe you said 282. According to some statistics we have from the Minister of Housing, 76% of units in Ontario are controlled by corporations. I think there is a difference between these groups. The statistics you have provided here on income, would that include all rental units, not the rental units controlled by small landlords? Is that true?

Ms Lerner: The figures we have are from Revenue Canada and they are figures that were taken out of individual income tax returns filed. In other words, corporations would not show up. This would be individuals.

Ms M. Ward: That answers my question. These do not apply to corporations. They apply to individuals who would be the small-unit owners.

Ms Lerner: That is correct.

Mr G. Wilson: I wanted to mention something Mr Brown said as well, which was that, according to him, statistics and facts do not mean anything to this side of the committee, but that was just after he said that there were

countless submissions made to this committee. I think that it would be easy to count them up to see exactly how many there were. I think the implication was that they were all in support of the views that you are bringing forth. I can tell you that is not the case, that there have been a number of varied views brought forward.

The other thing is I noted that you said that our promises made in *An Agenda for People* were silly promises. I do not know that you were referring to Bill 4 specifically, but in any case, I think one of the problems that Bill 4 speaks to is our concern about affordable housing, and that is the issue I wanted to raise with you. It follows from something Mrs O'Neill said. She pointed out the equal-opportunity atmosphere in the province now and was pleased to see that there were two women presenting on this issue. I want to say that women are one of our main concerns as well, since they often are the ones who most need affordable housing. When we think of widows, when we think of disabled or women who generally work at some 60% to 65% of what men earn, and then women often have a single family, I just wonder how you think then we should make sure that the stock of affordable housing, which is the purpose of Bill 4, is maintained.

1550

Ms Lerner: I guess affordable housing sounds very good if somebody else can take care of it. I have to be totally selfish here. I did not become a landlord to be a charity. That was not my intention. I came to Canada in 1980 and I immediately set out to provide financial security for my future. I got a job and every penny I made I invested in property, thinking that this was a good way to provide for my future. I did not go into it because I felt sorry for tenants who needed their rent supported.

If there are tenants out there who need help, it is up to the taxpayers to take care of them, but I do not want to be forced into this charity, and especially not when the charity is provided to a tenant who probably makes a lot more money than I do.

Mr G. Wilson: No, but I think what I was trying to point out is that there are a lot who do not, and certainly as admirable as your actions have been in looking after your future, I think it is understood, though, and you would probably agree, that there are many people who cannot follow that example, because of the reasons that I listed. So as a government, and I think everybody in the committee, takes that responsibility very seriously, we have to provide for everyone in the province, and not just those who can do it on their own. Further, I think we have to say those who can do it on their own cannot expect to do it at the expense of those who are unable to look after themselves for whatever reason.

Ms Lerner: Yes. I have no problem paying my taxes and my taxes can be used for that purpose. However, I do not really want, out of my disposable income that is left after taxes, to also support tenants. I do not really see why I have to do it more than anybody else who lives in this province.

The Chair: Very good. I want to thank the presenters for coming here this afternoon, making your presentation to the committee.

**MINTO TENANTS' ASSOCIATION
(PARKWOOD HILLS AND NAVAHO PLACE)**

The Chair: The next presenters, Minto Tenants' Association, Mr McCormick. Sir, you have been allocated 20 minutes by the committee, 10 minutes of which you can use to make an oral presentation and 10 minutes can be reserved for questions by the committee members.

Mr McCormick: Okay.

The Chair: If you would identify yourself and whom you are representing for the record, the floor is yours.

Mr McCormick: My name is Bob McCormick, representing the Minto Tenants' Association (Parkwood Hills and Navaho Place).

Good afternoon, distinguished members of the committee, ladies and gentlemen. I wish to speak on behalf of the tenants of the roughly 2,600 rental units in Parkwood Hills and Navaho Place, who support Bill 4. This area is at the east end of the city of Nepean in the riding of Ottawa-Rideau. Our landlord, Minto Developments Inc, owns town houses, garden homes and low- and high-rise apartment buildings, the first of which were completed in the late 1950s.

Recently Minto made capital expenditures for repairs to the balconies and for the repaving of parking lots, and consequently applied for rent increases above the permitted limit at that time. The buildings in this area have paid for themselves many times over and have earned a healthy profit for Minto with little further investment. Occasionally, capital expenditures are necessary to ensure that the premises remain safe and in good condition, but these must only require a small percentage of the profit that has accumulated over the years. It was not necessary for Minto to borrow money to finance the current work. The repairs were made for the sake of normal upkeep, upkeep which is similar to, but on a much larger scale than, normal maintenance items and minor repairs. Tenants ought not to finance such expenditures through increased rents when the landlord can afford to do so with negligible effect on overall profit.

We support Bill 4 because it protects us from unreasonable rent increases when they are brought about by capital expenditures. Landlords, especially those as wealthy as Minto, should be able to accept the reasoning behind this bill and accept that their net profits will be slightly lower than they would be under different circumstances. Past laws appear to have been beneficial to landlords and sometimes unfair to tenants. Bill 4 does allow for rent to be increased above the limit under several circumstances which appear to be beyond the landlord's control or foresight. Such events could adversely affect the landlord's profits, and the bill does protect him in these instances. Tenants ought to be willing to accept the possibility, however remote, of rents increasing for these reasons. Our tenants' association encourages the passing of Bill 4 in its present form, so that Ontario tenants will be protected from unreasonable increases.

From a personal point of view, I feel I am getting fair value from Minto, find my apartment satisfactory and am pleased with the service. It appears that tenants in this area agree, although some are dissatisfied with the condition of their units and with some aspects of maintenance.

Had the proposed increase been permitted, my rent would have increased by about 18%; some rents would have increased even more than that. Presently, about 38% of my net income is used to pay rent; with the increase, I would have had to budget for about 43%. Some tenants would have been more seriously affected than myself. Although I have suggestions for improvements that ought to be made to buildings in this area, accommodations are satisfactory.

All tenants in Ontario ought to be able to live in affordably priced units that at least meet these standards and to be confident that they will always be able to afford to do so. We at the Minto Tenants' Association (Parkwood Hills and Navaho Place) support Bill 4 and give our full endorsement to the presentation to be made at 8 this evening by Dan McIntyre, executive director of the Federation of Ottawa-Carleton Tenants Associations.

I would like to thank the members of this committee for giving me the opportunity to speak for my association, and the tenants for coming here to show their support for Bill 4.

Mr J. Wilson: Thank you, Mr McCormick, for your presentation. We have had a significant number of landlords appear before this committee and give testimony that they do not have the money for capital projects—such as those described in your case, balconies and pavement of the parking lots—that over the years, because rent controls have been in place since 1975, they have never really been able to set aside capital funds in a reserve and that they truly do not have the money. It is an area that concerns our party, this bill which would no longer allow necessary capital projects, would no longer allow the landlords to recoup those costs. Are there any conditions in which you would agree that capital costs should be able to be passed on to tenants? After all, tenants are the only source of revenue for the landlords.

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Mr McCormick: It would appear that landlords could set aside money from the revenues collected from rent. Not all landlords have the same type of retained earnings that Minto does, but I am pretty sure that Minto must have lots of money accumulated in retained earnings. For a landlord, perhaps on a smaller scale, who has been in business for less amount of time perhaps, has two or three units and has to make capital expenditures for just regular maintenance, why should the tenant have to bear out the whole cost of that? Could there not be perhaps a grant or a tax credit to the landlord if he did not have enough retained earnings to cover the capital expenditure?

Mr J. Wilson: We had evidence earlier today, or testimony anyway, that Minto is losing money on some projects, for instance—I do not know about your particular buildings—and I would suggest to you that you may be fortunate to have Minto as a landlord in that it probably

makes money on some projects and probably does not make money on other projects. I think they told us today that overall in their portfolio they have not been making profits I guess they think they should be making, anyway.

We are still waiting to see from the Ministry of Housing some of the hard evidence on some of the things you suggested. I do not doubt in your situation at all what you are saying, but the problem with any law brought in by government is it covers everyone across the board.

Mr McCormick: Of course, but there could be some provisions made for—I can imagine perhaps myself in a few years being a landlord personally, and still, if I had to spend a lot of money just to keep the particular maintenance standards of the building that I had, I could not foresee asking the tenants to pay for that over a period of five or 10 years. I would try some other way to finance that. My annual salary has only increased by a certain percentage each year and there is no way that as a landlord I would expect to cut into the disposable income of my tenants. I would find some other way through the government, some sort of grant or tax credit.

Ms Harrington: I have two questions. First of all, at the beginning of your brief you talked about your landlord, which is Minto Corp, and that you believe that it does make a healthy profit and that it was not necessary for Minto to borrow money to finance current work.

Mr McCormick: That is right.

Ms Harrington: I gather you must have some reason for stating this. Why would you say that?

Mr McCormick: Well, considering that the age of the housing stock in that area—and there are statistics to back this up, I believe with the Federation of Ottawa-Carleton Tenants Associations. I believe they have some figures that would substantiate that, and perhaps there are some other provincial records that would indicate that these building have long been paid for and the mortgages must have been paid off.

Ms Harrington: So you are feeling that with a building of that age where the mortgage has been paid off there would be money there in order to make capital expenditures and repairs.

Mr McCormick: Of course. For the most part, there seems to be very little evidence outside of those capital expenditures of anything major being done to the community. Seeing all the different units in that area, it appears that they are just—

Ms Harrington: What we heard this morning was that they were not making any money at all and other landlords in general are not making any money. In fact, the previous presenter said that there is just no profit at all; it is a loss situation.

In your presentation you also mentioned that your increase this year is going to be 18%, which then would have you paying from your income 43% on housing. Are you actually going to be able to stay? Are you managing to afford this?

Mr McCormick: Yes, I am, but that is that much less money that I can spend on other things. I looked forward

to taking a small trip. I have not taken any vacation for the last three years. I would like to just get away for a few days. Of course, I will still be able to stay there. I do not spend too, too much money on groceries.

Ms Harrington: Yes. I think what I—

Mr McCormick: Yes, I could afford to stay there paying 43% of my salary.

Ms Harrington: I would like to conclude that I think what this shows is that apartments are homes and that they really have a feeling. People do not want to just have this attitude, "If you don't like it, move." Homes are very special places.

Mr McCormick: I would like to stay where I am, yes.

Mrs Y. O'Neill: Thank you, Mr McCormick. I think I am safe in saying you are one of my constituents, if you live in the Parkwood Hills area.

Mr McCormick: Yes.

Mr Tilson: Did he vote for you?

Mrs Y. O'Neill: That is the question.

If I may ask about page 2, you said, "had the proposed increase been permitted," and I am having trouble finding where that hangs. Did you have a whole-building review? Was there a proposed increase that Bill 4 has put on hold?

Mr McCormick: Yes, that is correct. The effective date was October 1990.

Mrs Y. O'Neill: October 1, 1990—

Mr McCormick: The very first increase for the building that I am living in was for 1 January 1991, so all tenants in this particular building are protected. Their rent will only go up 5.4% for the next period of 12 months, I think, on the lease.

Mrs Y. O'Neill: I think you will realize the age of those buildings—and the Minto group did present to us this morning. They did not use the example of that neighbourhood; they used their Bayshore example. It is slightly older. I think their example was very explicit, that they had 109 leaks in that particular building at Bayshore, that they had to replace the roof. So I really do feel that my next question has to do with safety. Do you feel there should be a difference made between what I consider leaking roofs as safety—and you had mentioned balconies, and certainly underground parking garages—should there be a difference made between those improvements which are health-and-safety-related and other improvements?

Mr McCormick: Yes. I would consider a leaking roof, supposing that my building did have one, a safety hazard.

Mrs Y. O'Neill: Okay. You said you would like other improvements in your building. Could you tell us a bit more about what those would be?

Mr McCormick: One thing is the installation of new windows. The present windows are the original ones and some of the wood is kind of chewed up. They are wood-framed and they are very drafty in the wintertime. Minto could save a lot of money heating that place. The heat is good, but you have to throw a lot of heat to counteract the draft, so I would suggest that they put new windows on all

the buildings in this area and over the years they would save on heating.

Mrs Y. O'Neill: I think that would be an excellent suggestion.

Mr McCormick: Oh, yes.

Mrs Y. O'Neill: Energy conservation is certainly something we should all be concerned about. I thank you very much for bringing these things to us and for taking the leadership role you are taking within your community, Mr McCormick.

Mr McCormick: Thank you.

The Chair: Thank you for your presentation, Mr McCormick. We appreciated you coming before the committee today.

URBANDALE REALTY CORP LTD

The Chair: The next presenter, Urbandale Realty Corp Ltd. Bear with the process. Just please identify yourself and who you are representing, for the record. You have 10 minutes for your oral presentation and 10 minutes for questions.

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Mr Burns: I am Peter Burns, vice-president of Urbandale Realty Corp Ltd. I come to you more from my background in property standards, at one point directing that with the city of Ottawa. I was vice-chairman at one point with the Ottawa housing authority, and I am presently a member of the province's Residential Rental Standards Board, so I am hoping I am here more with some suggestions and some in-depth on maintenance rather than the politics of Bill 4. I will speak briefly to the retroactivity because of our own problems there.

My main interest is, again, emphasizing that Ontario's housing stock is old, 20- to 40-year range plus. It is not being renewed as commercial buildings are, where they are demolished where they have served their time, because of the other freezes that exist, so it is going to have to be looked after with some care if you want it as a vital part of your housing program in Ontario.

I feel it is a growing maintenance and refurbishing problem. I do not like to see problems created for the future, and I feel that with the moratorium, on top of some tightnesses that have existed since 1975 because of rent review, there is a lot of work that money will have to be spent on to keep it for as many years as you have seen it up until today.

I have put a number of statistics and facts in my brief. I am not going to attempt to use figures here. They do not come across in verbal presentation. I am sure you do not need one more speaker with a lot of facts being thrown at you after the number of days that you have been at it, and I gather that within four days you will then be looking at the green paper, with a very tight schedule to try and react to that. I understand that not too many individual briefs will be dealt with during the green paper process. My hope is that some of these briefs will exist through that process and be useful.

I think it is down to two basic issues: tenants of low income who have an affordability problem and 20- to 40-

year-old buildings which require major work because of their age. In my brief I have touched on concerns touched on by the Residential Rental Standards Board, the Ontario Association of Property Standards Officers, who are municipal employees, the city of Ottawa and the city of North York. They all know that it costs a lot of money to maintain older properties. They are all concerned as to how this can be done when capital costs can not flow through from the rents, both reaching back about a year and a half and also during the moratorium until the new legislation comes into effect.

North York officials are particularly worried as a result of a fairly extensive survey they have done of all high-rise buildings, rental and commercial, in North York, and parking garages. They are seeing damage coming to the surface because of salt, to balconies, garages, the structural supports and the brick and concrete cladding, and they find the closer the building is to a major arterial road, and downwind, in other words, prevailing winds from the north, the damage is worse, especially on the brick cladding, the concrete cladding and the balconies. They think they are just seeing the tip of the iceberg of a lot of work.

Their concern is, apart from rent control or rent review, is there enough money sort of in the market rents to generate what is going to be needed for many of these structures, commercial, industrial and rental? They have a rather scary slide series that they will show on that.

In my brief I have listed some of the costs that Urbandale has experienced over the last few years doing work on our projects which were built between 1962 and 1975. We try and keep them in good condition. We have properties which have never been to rent review for capital work. We do what we can out of the rents. But in the last few years we have seen costs of \$4,000 per dwelling unit for garage repairs, \$2,800 per unit for roof work on a high-rise and \$2,700 for new roofs on each of 245 row housing units. You cannot expect these kind of expenses to be paid for out of rents which are in the \$400 range.

Our experience is not unique. In our brief I have given you some of the costs which the Ottawa-Carleton Regional Housing Authority is experiencing. They are the agency looking after Ontario Housing Corp's rent-to-income projects in the Ottawa area, and they are frightening figures: \$6,400 a unit for covering falling brick work with metal siding, which in a normal rent would be a \$76 a month increase. They are just in a program replacing roofs on row housing, \$10,000 per dwelling unit, that is \$118 a month if it was the private landlord; \$5,900 a unit for repairs to a salt-damaged parking slab, and they have another garage that the budget has not allowed them to get at and they have shoring inside for the safety.

It is not that Ottawa Housing does not run a good show. They do day-to-day maintenance, but their costs for the recurring maintenance, the day-to-day, are up 22% in 1989 and another 20% in 1990. At the same time, the amount they were spending on the major capital work between 1985 and 1990 went up 73%.

So it is a large flow of money, and in this case the public purse, and any apartment building at some stage, no matter how well maintained, it is going to need a new roof,

it is going to need balcony repair, the replacement of the galvanized plumbing, bringing the fire equipment up to today's standard, or close to it. Tallying it up, if these kinds of cycles hit at one time, it would be very easy to spend about \$16,000 per dwelling unit for an apartment building, which is \$160 a month.

Much of Ottawa's stock is in the \$400- to \$500-a-month rental range, so it still keeps it affordable for most of the tenants, especially compared to Toronto's standards of what is affordable, but there is an income problem at the lower end, and I am not trying to deny that. But the work has to be done, and that is really the message that I want to leave with you. The buildings are getting older and more tired.

In our own case, we started in the middle of 1989 doing major work on three projects for the first time, roofs and balconies and some window work and bathtubs and wiring and so on, and we spent \$3.6 million. All right. In our rents that was an increase of \$50 a month. Unfortunately, our first increase came after 1 October, so we are carrying the \$3.6 million waiting to see what comes out of Bill 4.

I just want to leave with you that you cannot ignore the maintenance work. How it is addressed will be part of, presumably, the green paper. But look at your own Ontario Housing stock, condominiums and co-ops; there is no secret between them and the private.

Ms Harrington: I am very pleased that you would come before us today, because you have such a diverse and appropriate background to housing. Did you say you were also on the Rent Review Hearings Board?

Mr Burns: The Residential Rental Standards Board, which accepts work orders that are not being done in a municipality, and if we feel they are substantial, refers them to the minister for a rent penalty or a rent abatement. So we are getting a feel of the kinds of orders that are happening around the province, and more and more I see the orders on—not the worst neighbourhoods. As the buildings become older in Toronto, I am seeing up around Eglinton and Mount Pleasant and places that you would not expect it but age is catching up.

Ms Harrington: Well, the standards board then, as well as the Rent Review Hearings Board, is something that is very appropriate. The question I wanted to ask you is exactly that. How do you think the standards board can do its work better? We depend on you to make sure that our housing is in good condition. We have heard in previous days that there are problems with standards, both at the municipal level and at the provincial level, so could you quickly maybe give us an idea how you think we could be better at it?

1620

Mr Burns: Our recommendation is that it be mandatory—and not maybe—that every municipality have a property standards bylaw under the Planning Act. That is number one.

Ms Harrington: I know in my area in St Catharines there is a large apartment building, two of them actually, a complex. They have—I think it is about 28—outstanding

orders against them and it has been a couple of years. Now the local legal clinic is telling them the only way to get the building improved is to go through the legal route.

Mr Burns: I think it should be mandatory.

Ms Harrington: I have spoken to the mayor about it.

Mr Burns: I think the municipalities need some help in the court system on the fines. The municipalities, in many cases, have the right to do the work and add it to the tax roll, but they are worried about their security and they are worried in these older buildings that, by doing the work and putting it on the tax roll, if the building comes back to them in the next years, the amount that they have put into the building may be more than the property is worth.

I think the province should be looking at extending the low-rise program and getting the high-rise grants, provided that they are reflected in the rent or an abatement of the rent, hopefully related some way, maybe, to incomes, because in a lot of buildings the tenants do not need any help. We have units in Ottawa at \$2,000 per month, people by choice.

Ms Harrington: So you agree we need more teeth in our enforcement?

Mr Burns: Yes.

The Acting Chair (Mr Abel): Ms Poole or Mr Brown?

Ms Poole: I think Mrs O'Neill had a question.

The Acting Chair: Sorry, I did not see you. You are sitting so close to Mr Tilson.

Mrs Y. O'Neill: I knew I was getting smaller but I did not realize I had disappeared.

Ms Harrington: She has moved over to the right.

Mrs Y. O'Neill: Thank you very much, Mr Burns, and thank you for your previous correspondence with me. You suggest that you only have your personal experience to call upon. I would suggest that is great and it is a great contribution.

I would like to draw attention to a couple of pages in your brief. You did have to condense it quite a bit and I am sorry for that. I thought that what you brought forward on page 4 is so very relevant, the costs because buildings have got to a certain age, and anybody who knows as much as you do about rental stock in this province knows that much of the building did go on in the 1960s and now these are the kinds of costs, and they are certainly likely more than the actual building costs in the beginning.

Mr Burns: And you should look at Ontario Housing's experience as well.

Mrs Y. O'Neill: Right, and you have given those figures as well to balance.

I also wanted to bring to page 7. Two of your paragraphs, I think, are extremely meaningful. Under "General Observations," you talk about partnership with government, and certainly since we have had legislation that has controlled rents in this province landlords and tenants and government have developed partnerships. That is what so difficult about this legislation, the instability it creates in a

partnership. You have suggested that the retroactivity is certainly one of the most difficult parts of this whole piece of legislation. I think you have tried, as many people have done in these hearings, to tell us what luxury renovations are about and why they are irresponsible. I really do like the paragraph you have devoted to that, and you say, other than in Toronto, owners must be careful not to do so much work or the approved rent will be above the market and that is not collectable. I think that is what we really talk about when we talk about luxury renovations.

Mr Burns: At some point, a market does prevail in most of Ontario.

Mrs Y. O'Neill: Correct, and we are hearing that. Very few people have brought that to our attention and I am very glad you did. Would you like to respond by suggesting how you feel the rent review legislation that is in existence could have been improved? Have you got one or two capsules?

Mr Burns: One is all parties have talked about how terribly complicated it is. It is not fair to a small landlord. There is no way you can go to rent review without a consultant, and if you have only a few units you cannot afford it. Even with our size, we use a consultant. It has to be simpler. I like the old hearings. In a way both sides get it off their chest, and I think there are some elements of the hearing where you can go in and justify. If you are doing a new roof, you are foolish not to add insulation. Is that luxury upgrade or does that just make sense, and that could be dealt with at a very simple kind of hearing process. If you are going to replace old windows, it is silly that they will just put back single glazing; do double glazing. Is that a luxury upgrade or is it that sensible? You need some way to work through this, but on a one-to-one, where someone can go in with their shoe box, the bills, and say, "What do I do now?"

Mrs Y. O'Neill: Thank you very much for coming forward. I hope you will have input also into the new housing legislation that we are going to be presented with on Monday.

Mr Burns: If there is time.

Mr Tilson: Dealing specifically with Bill 4, I would like you to comment on what effect Bill 4 has had on loss of jobs, loss of contracts, that whole area where you presumably have been hurting. Hearing evidence around the province, I would like to hear some thoughts specifically in the Ottawa area.

Mr Burns: I cannot speak personally there, because we were too efficient. As I say, we started in the middle of 1989 and we got all our work done about August, just in time to be hit with Bill 4. In most cases the work was done; we did not have too many people to send home. We returned a number of items, and we have got some emergency generators on hold that we were going to add to take over the old battery packs, but it is \$50,000. We are seeing if we can return them.

I do know that one company that does a lot of concrete garage work has had about three large contracts cancelled: "Don't go ahead." It is easy to spend \$1 million in garage work, and it is extremely labour-intensive. It is jackhammers

going day after day. There is a lot of that, yes. Some of the roof people, well, they will not see it until spring. We should try and not do new roofs during the winter in Ottawa.

Mr Tilson: You speak of parking garages and you mentioned cement work earlier. That leads to the area of my next question, and that is one of safety. We have had a number of—particularly, I think it was in Toronto earlier this week that a cement group came and spoke on the whole issue of safety.

Mr Burns: I am glad you had that. It is serious. Not just rental buildings, all buildings.

Mr Tilson: I would like to hear some of your thoughts on that, specifically when we hear testimony from different people around the province that 75% of the buildings in the province of Ontario are 20 years or older. There are many things, according to testimony that has been given to us, that you simply cannot anticipate or that you cannot keep up through daily maintenance.

Mr Burns: Flushing will help, but in many cases the problem was built in, because back in the 1960s and 1970s, and 1950s, they would add calcium chloride to the mix, so it would set up faster. Now, we know you started off with a salt problem. Then with the water that the cars drag in from the slush, it starts working, and there is no way to reverse it. Building a garage today should last far longer; I am not sure it is for ever. They put membranes on now, which they did not use to. We have been through two large garages, two buildings we bought from Cadillac Fairview. It was \$1 million each, and after we started working we wondered what had held the cars up in some places. It was rather scary.

The Chair: Thank you very much, Mr Burns, for making your presentation today.

Mr Burns: I hope it is of some use in your deliberations.

The Chair: Yes, very useful.

1630

COMMUNITY LEGAL CLINICS UTOO INC

The Chair: I understand that we are a few minutes ahead of schedule and I hope we did not interrupt any meetings you were having. If you have had a chance to see our proceedings so far, you know that we have been allocating 20 minutes and you will have 10 minutes for an oral presentation and 10 minutes for questions. I would just like to ask you to identify yourselves and whom you represent for the record.

Mr Chartrand: My name is Jacques Chartrand, executive director of West End Legal Services of Ottawa. My colleague here is Sue Skinner, community legal worker with the South Ottawa Community Legal Services. The brief is presented jointly with Community Legal Services of Ottawa-Carleton and a non-profit organization called UTOO Inc., which is an umbrella group for many tenants' associations.

Our brief basically states that we support the implementation of Bill 4 because the current legislation leads to circumstances where tenants are less able to afford the

rents being charged and are placed in a vulnerable position when the landlord charges less than the maximum rent and, can at any time, let the economic levers go and evict tenants.

The thrust of our brief, though, is that although we are in agreement with Bill 4, we are asking that consideration be given to other aspects of the Residential Rent Regulation Act as well. Basically we are submitting that it be extended to have a rent registry for all residential units, and that includes buildings with less than six units, rooming houses and single dwellings.

Ms Skinner: It is our information, which was obtained from the Ottawa Region Landlords' Association, that 45% of the rental units in Ottawa-Carleton are in buildings with less than six units.

Mr Chartrand: By extending the rent registry to all residential units you achieve uniformity throughout the province. You achieve consistent rental history of the properties, and this can assist tenants to know where they stand when they are renting properties. We at the clinics often make applications for orders for repairs and abatement of rents, and this occurs particularly when landlords who have been requested to do repairs do not do them and then turn around and serve the tenant with notices of rent increases. This is where the battle starts. I have noticed section 100g, where the tenant can now dispute based on non-repair and the state of the premises, which is basically what should happen when a landlord is seeking to increase the rents; in other words, "I want more rent," and the tenant is responding, saying, "Okay, you want more rent, but the property is not up to standards, so you should not be allowed to get more money."

Section 100g limits the criteria set out in that section and we believe that it should not be just restricted to that. It should also include a record of violations of other sections of the rent regulation act, not only in taking into account the performance of the landlord and repairs but also in the conduct towards the tenants. The record of violation that we want to be added or falls into the recommendation that we make that it is about time that landlords be licensed. A necessity such as shelter has gotten to the point where landlords have to operate properly and treat tenants properly. It is like anything else these days, if you have violations against your records, we should not be tolerating these violations on a consistent basis; and if you do too many violations, then you are either fined or somehow you get a slap on the wrist. That is what I have to say.

Ms Skinner: Just to continue with the licensing, it is our experience in Ottawa-Carleton that when tenants come to clinics with a repairs issue, property standards is involved. Property standards issues orders against the landlords. There is such a long wait list for anything to be done that the tenant eventually gives up and moves on. The landlord has failed to comply. He brings in new tenants, quite often raising the rents. There is no control at all. I think that with licensing certainly there would be control of how properties were managed and I suspect that the many landlords in the region, and in Ontario, would not

mind being licensed. It would protect themselves as well as tenants.

Mr Chartrand: Any questions?

The Chair: Thank you very much. We are going to start our rotation. Mr Brown is first.

Mr Brown: As we have travelled around the province, we have heard a great deal about maintenance of buildings and maintaining them in a suitable manner for the tenants. After all, the unit is the tenant's home and it needs to be maintained. I am interested in your solution of licensing and how you would really see that working. Each landlord presumably would have to have a licence to own or to operate, I guess, a rental unit. If he did not fulfil the requirements of the licence, what would you see happening?

Mr Chartrand: It would be similar to what is happening now with some landlords who do not obey property standards orders. They are put on a proactive list. This means that the city can step in and either do the work or assist the landlord in trying to solve the problems. So the licensing, if you have too many violations, then it would be going over to, perhaps, a proactive list where supervision is much more strict in the performance of maintenance or bookkeeping, making sure there are no illegal rents or illegal deposits taken, etc.

Mr Brown: So I understand, for example, that if I happened to be a landlord and owned six or seven different rental properties, I would have one licence and all violations would accrue there so someone somewhere could look at those and say this landlord "is not behaving properly." We see that he has a number of violations, a history of violating various acts, and therefore we would somehow know that this is "a bad actor." Is that the idea, rather than have the licence go with a specific building?

Mr Chartrand: Yes, you could probably look at licensing a specific building, because you can have good performance in one building and not good performance in the other building.

1640

Mr Brown: So the licence is for the building and not for the landlord?

Ms Skinner: It could be either for the property management company or the landlords. Quite often the landlords are numbered companies and have no idea what is going on, but we think that that is probably a service that rent review services could have in its mandate would be a licensing agency.

Mr Brown: Just so I understand then, if the landlord, for whatever reason, does not comply, the municipality cannot enforce whatever, or they do the work and put it on his taxes but he cannot pay his taxes—I mean, there is also an economic component to this. You may want to do the work, you may want to do all the things right, but you do not have the money to do it. What happens then?

Mr Chartrand: I heard of an announcement made by the provincial government that it was willing to assist landlords in difficulty financially. I am not a financial expert, but if it comes to a situation like that, government

assistance perhaps could be asked for to assist the landlord to re-establish itself properly.

Mr J. Wilson: Thank you for your presentation. Along the same line of questioning, because you mentioned strengthening section 100g, what is the extent of the problem of violations of the standard of maintenance and repair in this area?

Mr Chartrand: Basically what we see is landlords turning around requesting rent increases, and most of the tenants assume that the statutory rent increase is automatic, so they pay it. It is when they go beyond the statutory rent increase where they start fighting and saying, "You haven't done the repairs, so I don't want to pay you the additional moneys."

Mr J. Wilson: What is the landlords' argument to that? Do they just sort of naturally go for the statutory increase?

Mr Chartrand: Statutory increase, yes.

Mr J. Wilson: And I guess we have had arguments and they are saying that that is never enough when you hit major capital expenditures. So I guess you get that side of it from—

Mr Chartrand: No, we basically deal with the legal end of it. Most tenants do not want to pay more than what they are paying right now because the property has not been repaired, and the landlord is looking at this automatic increase all the time and the tenant is saying, "Well, I was asked to pay \$500 a month. I got in, the unit is in disrepair and I'd like to have it repaired," and the landlord turns around and says, "I want my automatic rent increase" or "I want more than that."

Mr J. Wilson: How widespread is that? What is your guess, perhaps? You would only see the ones who come into your office, I guess, or they give you a call.

Mr Chartrand: No, we basically deal with the cases where the tenants object and the landlords sue the tenants and we go to court to seek an order for repair and abatement. It is done more recently than before because the problems of repairs do exist quite a lot in the Ottawa region.

Mr J. Wilson: But you do not know what the number is on that exactly, because we are having a problem getting stats out of the ministry on these types of things too.

Mr Gagnon: If I could just add something, at the clinic where I work, it is a downtown clinic, most of our case load is landlord-tenant. Close to 70% of our case load is just that, and what we see is a reluctance on the part of the tenants to actually take action against the landlords because it is such a lengthy process.

They also feel as if they are victims in their apartments. They are scared, and we see landlords simply abusing the tenants, simply not doing any repairs after, let's say, a year, two years, the tenants simply getting fed up, representatives not taking any action, and then after that they simply leave. The tenants simply leave, either because they are threatened by the landlord or they cannot afford the place any more.

Mr J. Wilson: We were told in Sudbury, for instance, that perhaps this committee should be distinguishing between big landlords and small landlords. In your case load that you do see, who are the violators, the big companies or the small?

Mr Gagnon: Well, that is difficult. That is like saying, "Who is the biggest racist in town?"

Mr J. Wilson: I am also trying to figure out the extent of the problem; that is a little difficult.

Mr Gagnon: Sure. Well, we see everything. We see families who rent to tenants in their basement and they are simply not respecting the Landlord and Tenant Act, either because they are ignorant of the law or basically because they feel as if they need some money quickly and they just do not know what to do with this person they feel was harassing them and they are just not respecting their rights.

The Chair: I am afraid I am going to have to interrupt. Mr Wilson, it is your turn, sir.

Mr G. Wilson: I do not mind your continuing that line, though. I think that is of interest as well.

Mr Gagnon: Okay. That goes in respect to rooming houses again, where you have several tenants who are living in small little units. When it comes to the year period, especially in the downtown core where students are coming in, then all the older people the landlords do not like they just boot out for new, young tenants who seem to have money. We see a lot of problems there.

And then we have the huge landlords. The huge landlords have several properties and they simply are maybe more sophisticated in abusing the system and they offer penalty fees and so forth.

Mr G. Wilson: Thank you for that report. It gives us another very good slant on what is happening.

You specifically mentioned the problems with tenants who do not see repairs being made and therefore are reluctant to pay the increases, but what about tenants who simply cannot afford increases? Do you have many of those cases in your clinics?

Ms Skinner: Most of our clients cannot afford the increases, and their solution to the problem is to move and—

Mr G. Wilson: Where are they moving to, by the way? Is that an easy thing to find out?

Ms Skinner: To substandard units.

Mr G. Wilson: Substandard. Right.

Ms Skinner: That is it.

Mr Gagnon: Especially where there is a landlord who does not ask for a deposit for the last month's rent. And their names are on a waiting list for subsidized housing, but that takes years and years and years before they actually get something.

Mr Chartrand: What you also see are situations where the landlord has a certain maximum rent but rents at a lower amount to get the people in, and then one year later he bumps it up a bit and his maximum goes up, and then he can at any time turn around and say, "Well, now I

want the maximum," and the tenant cannot afford it and has to leave.

Mr G. Wilson: Sounds like a stressful situation for the tenant, and that brings me to UTOO, which is a neat name. None of you is from UTOO, though, I do not think.

Mr Chartrand: Yes.

Mr G. Wilson: Oh, are you from UTOO?

Mr Chartrand: No, I am not from UTOO, but—

Mr G. Wilson: But its mandate sounds interesting in that it seems to promote the awareness among tenants of something they can do. What has been the success of UTOO here in this area?

Ms Skinner: It has only been ongoing for two years and right now they are still at the fledgling stage, but they are widespread across the province and we are hoping to get more representatives and more involvement.

Mr G. Wilson: How hopeful a thing do you think that is, to encourage—

Ms Skinner: Very, very good.

Mr Chartrand: Yes. They held a conference in Hamilton last year and they intend to hold a conference in Ottawa this year, try and bring all the tenants' associations and have workshops, etc.

The Chair: I apologize. Our time has expired. I want to thank the community legal clinics for coming in today and making their fine presentation.

Mr Chartrand: Thank you.

Ms Skinner: Thank you.

The Chair: You are welcome. Is the Real Estate Board of Ottawa-Carleton here yet? Is Christopher Barker here yet?

HOUSING HELP/AIDE LOGEMENT OF OTTAWA CARLETON

The Chair: If not, we will proceed with Housing Help/Aide logement of Ottawa Carleton. I think you are quite familiar with the procedures we have been using today. I will just turn the floor over to you.

Mr M. Wilson: Thank you for allowing us to speak to you this day. A brief has been provided, and for the sake of brevity and to allow you to have time for questions, I just wish to highlight some of the points of that brief.

The Chair: First introduce yourselves and whom you are representing, for the record.

Mr M. Wilson: My name is Michael Wilson and I am the executive director of Housing Help/Aide logement of Ottawa-Carleton.

Ms Jamieson: I am Lisa Jamieson. I am the housing educator at Housing Help/Aide logement.

Mr M. Wilson: First of all, I would like to state that we recognize there is a major issue about housing, and the two major points we want to stress are the need for affordable housing and the need for adequacy in housing. In the region of Ottawa-Carleton, 48% of the occupied dwellings are rental units, so I think tenants need to have a voice about what their plight might be.

1650

I want to say just a bit about who we are. We are a small non-governmental, government-funded organization that works in a community that has been developed through a community development profile. Housing Help started in 1986 and had about 4,000 people come through its doors. This last year, we saw almost a double increase in the amount of people who came to us, almost reaching 20,000 people, and out of those we had almost 1,000 cases where people were really suffering clear hardship in their housing, who certainly were without any kind of security of tenure and most of whom needed to be assisted to find or maintain a sense of affordability or had to have assistance provided to them to ensure that they would have adequate standards in their housing.

The most common denominators of our client group who are facing the most difficult times are that they are low to low-moderate incomes—80% received an income less than \$15,000 per annum—and that 50% of those people in crisis were representing families.

As was mentioned earlier here, there seems to be some concern about whether subsidized housing provided by the government is the true solution to some of the issues. In Ottawa-Carleton we have a waiting list that is shared jointly by the city of Ottawa's corporation, City Living, and the regional housing authority, and there are 4,235 people on that list who are waiting to be provided housing, as of December of last year. So what we see in our clients is that 50% of them continue to struggle to try and survive on the private market.

Against this sense of recognizing the need for affordability and adequacy, we also recognize that there is an extreme dilemma that, as we try to strive for housing that is affordable, we run into the question of whether it can be adequate. Do people provide the standards that are necessary; are there safety measures available; are the roofs well done; things like that. We also recognize that even though there is an emphasis on social housing, that people would be provided units at rent-geared-to-income prices, the private market continues to carry the majority of tenants in the region.

We know that this is a delicate balancing act, but we come to you today to say that we are in agreement with Bill 4 and we would like to see some of that legislation be passed on to the final legislation. I would like to say why we agree.

The city and the region have provided a lot of numbers to state that there is a question of affordability in the region, and those are before you. We ourselves have done an in-house study of some of the private market rents and what people were allocating out of their incomes towards a rental cost. Though of course we will see the people who are suffering most, we found in our study that 88% were having an affordability issue, and we define that as paying more than 25% of your income towards housing. In fact, 39% paid more than 50% of their income for their housing.

We think there are a number of related issues, and we recognize that any kind of freeze or guaranteed limitation of increase for rent is not the sole answer to provide affordable

or adequate housing, but we see that there is a continual loss of affordable housing in this region.

Other numbers are before you, provided by the region. Maybe just to mention the first one, between 1981 and 1986 the region estimated that 48,650 low- to moderate-priced units were lost. That does not mean they were just physically removed from the market because of demolition or conversion, though a lot of them were. It also means that because of the price hikes for rent they became unaffordable and therefore people just did not rent them.

We also live in a region where there is a very low vacancy rate. The CMHC says that in order to have a healthy sort of private market housing, you have to be between a 2% and 3% level, and for the last 10 years this region has been below that. In fact, at the moment it is at 0.5%. So we see each day at our offices that people are in need of finding housing and it is very difficult for them to attain that.

Last, we see that property standards are often not provided by landlords in the sense that they are not kept up to par. We have done a number of things to illustrate that.

I have one story that I would like to share with you about an apartment building at 272 Bronson Avenue that had requested an 18% increase in rent in 1987. This was a way in which the tenants were motivated to organize. From that, they met with the rent review committee at that time and they were granted certain repairs to the building far beyond what the landlord had intended in his initial request. The committee had told the landlord that he was only going to be able to raise the rent 8%. Well, those repairs were done, the rent was increased 8%, and then the building was sold.

What happened after that is that rent review at that time, in 1989, provided a 15% increase that was to be phased in at 5% per year. We are happy to say that with the freeze that is now in effect with the moratorium, the last 5% has not been imposed on those tenants.

But to reiterate some of the things that you have been hearing from other groups, one of the results of that is that there was about a 90% migration movement from that building. They could no longer afford to live there, so that population has become unstable, whereas before it was a lot of people who were on various fixed incomes, either because they were low-income earners or because they were elderly.

The last part of this is that when we look at some of the numbers provided by the region as well, we recognize that rental increases in this region have risen from 10% to 17% beyond the consumer price index. We think that it is difficult for tenants to constantly be paying more of a percentage of their income towards rent when they themselves are not given that money via their work or whatever mode of income they may have.

We have some concerns about how Bill 4 could be strengthened as it becomes new legislation, and we would like to just point out a couple of things. We see a lot of people who are not living in large apartment buildings, though we do see people from that perspective as well. The Ottawa Region Landlords' Association has put out a statistic that 45% of the rental units in Ottawa-Carleton are

buildings with only one or two rental units. One of our grievances with the past system is that units of six or less are not registered, and so we have no idea whether the rents are legal or whether landlords are providing the services that are expected—you know, whether heat was included for one tenant and not included for the next—and it compounds the issues for us.

We ourselves have a small registry of one ward in the city, and I have also provided an annual report where there are some case scenarios—portfolios, if you will—some instances where people were able to get money back because of illegal rents that could be shown from that registry. So we would like to see whatever happens include that.

We are concerned about tenant repayment. We would like to see more flexibility on that.

We think that there might be more interesting ways in which to ensure the adequacy of the buildings, and there is a paragraph on the landlord incentive package, which we think should be a compendium package. We do not necessarily see that the government and public dollars should always carry those costs as well. I think being a landlord is a business and you take risks and you take responsibilities as well with that. These are not fleshed-out ideas, but they are just to show that there are other possible ideas.

We also believe that a strong component, once this legislation is decided and passed, should be a system of landlord-tenant education so that people are able to work within the system.

The Chair: Thank you. I appreciate your presentation. I am sure the committee members also do. Mr Wilson, I believe you are first in this rotation.

Mr J. Wilson: It is really a complete brief, much of which I think we have heard from some of the legal aid community with very similar concerns.

You mentioned the landlord incentive package is not fleshed out, and I can understand that, but I would be interested if you had any further comments on it because you kind of went over it quickly. I guess the government had said it might set aside \$15 million to help landlords with repairs, and we have heard from some landlords that that is simply a drop in the bucket. They gave us a number of examples of costs of repairs required, that it would not nearly cover the extent of the repairs that are required across the province, and unanticipated repairs like parking garages were the big ones.

Given that the government may never have enough money to put into that envelope, where are landlords going to get the money for capital repairs, or do you think the government should put every effort into trying to come up with the money? Cancel other programs is what they would have to do, I guess.

1700

Mr M. Wilson: If the government were to come up with any package, I think that is generous on their part because, as I have said, landlords are in a business situation.

Mr J. Wilson: But they are in an unusual business in the sense that their ability to make money is limited. That is one thing we seem to miss from a lot of groups, that it is a highly regulated, limited business and has been for 15

years. Unless they are all lying to us, a lot of them are not making any money and a lot of them expect to go belly up in the near future.

Mr M. Wilson: I would suggest that landlords make more money than tenants do, in general.

Mr J. Wilson: We have had evidence that some small landlords—actually, it is implied, quite a few, because of the losses on their buildings—make less than some of the tenants they are subsidizing. But I am just playing devil's advocate with you.

Mr M. Wilson: No, I recognize that. Go ahead.

Ms Jamieson: I think they would get fairly substantial tax deductions for that.

The Chair: Now, to move on to Gary Wilson.

Mr G. Wilson: This is a very solid report and it has a lot of facts and figures. One thing, actually, that my colleague mentioned is on page 3 of your report, where you talked about fire escapes as being an unnecessary renovation at Bell Street? Could you clear that up?

Mr M. Wilson: This is a large apartment building that is in the area of our central office. We provided a tour last spring for two conferences on housing in the region. We provided a housing tour, and this site was an example of renovations that tenants did not wish to have done to the building. They certainly were renovations that improved the dollar value of the building for the landlord. On going into the building we recognized that the fire escapes had been done in marble. I was wondering why and what benefit the tenants would enjoy from that. The interior of the building was certainly out of context for the exterior as well. Some of the major things that could have benefited the tenants who were living there were not considered.

Mr G. Wilson: Okay. I would like to return, then, to the more general thing here. I think that is something that goes to the heart of the issue, and that is where, under "Who Are We and What Do We Do?" you say, "We believe that every person has the right to secure, adequate and affordable housing." How popular a notion do you think that is in our community—this community, say—from your experience?

Mr M. Wilson: At this table?

Mr G. Wilson: Not necessarily at this table, but your experience in the housing field. I mean, do you find everybody is working to realize that?

Mr M. Wilson: I think that there is certainly a very clear and defined movement in that direction, and it is not solely a national view even, that it is more large than that, that it is global and there are people from every walk of life and from very many different countries who are working towards achieving that for people.

Mr G. Wilson: What about governments? Do you find that they are supportive of this?

Mr M. Wilson: No, in general I would say that what we have seen is governments have not taken steps. I would be glad to say in the future that perhaps the new government of Ontario has done something to do this, to change this situation. But at the moment we look and we see that

the people who come to our door on a day-to-day basis are the ones who suffer. We see other opportunities that are out there about the availability of land. We talk about the cost of land. Government holds a lot of land and when it does sell, in general, it sells it at very high and lucrative prices, rather than financing non-profit or co-operative housing. We see the federal government constantly backing away from commitments in housing, and the social housing program is in fact in jeopardy at the moment.

So I cannot say from my immediate context that I see a lot of movement in that direction. I am happy to say that, in our local region, I think the city of Ottawa and the regional government have supported our group, and by doing that they are making very clear statements. The work that I see coming out of their offices, and studies and assessments and analyses of the situation, is clear and moving towards recognizing the needs of those who are really suffering because of this, and not those who have the money.

Mrs Y. O'Neill: I certainly think that your annual report is very helpful for me as a member from Ottawa and I know that the statistics will be correct.

You are the people who had the housing maze, are you not?

Mr M. Wilson: I beg your pardon?

Mrs Y. O'Neill: Did you have the housing maze?

Mr M. Wilson: Yes, the homelessness maze.

Mrs Y. O'Neill: Sorry. Yes, I do remember that. Are you still travelling?

Mr M. Wilson: Yes, we still do.

Mrs Y. O'Neill: I hope you will bring it back to Queen's Park now that we have a lot of new members.

Mr M. Wilson: Invite us.

Mrs Y. O'Neill: It was a very effective tool to show the very difficult decisions some people have to make in choosing housing.

I want to go to page 2, if I may, of your brief. I find some difficulty with the figures, and the only reason I find difficulty is that you have stated this is an in-house survey.

Mr M. Wilson: Yes.

Mrs Y. O'Neill: So these are people who are in difficulty?

Mr M. Wilson: Yes.

Mrs Y. O'Neill: I think that we have to emphasize that those statistics, then, are not really Ottawa-Carleton statistics. They are statistics of people who—

Mr M. Wilson: They are in-house statistics. That is why they are phrased that way.

Mrs Y. O'Neill: I am pleased that you made that clear and I want to reiterate it because they are certainly contradictory to things we have gotten from the government agencies today. You have made one comment at the top of page 2 regarding your statements on Bill 4. You say, "No phase-ins until new legislation is adopted." Could you expand a little bit on that, please?

Mr M. Wilson: Probably not. Not in an adequate way. The question of phase-ins for us is that I think the government

is going to be faced with some very difficult and hard decisions, and we do not believe that phase-ins are appropriate, though we do not know what alternative there may be if there are substantial increases for some given situation. So we are willing to be open on that at the moment, but I really cannot elaborate further than that.

Mrs Y. O'Neill: You say "difficult decisions." I am sorry, this is important to us, to know exactly what your thoughts are. Would you say a little bit about what the difficult decisions are? Give us an example.

Mr M. Wilson: I think that the government has clearly been, and will clearly be, advised by tenant groups and tenant representatives that there is a real question of affordability and adequacy in Ontario and that the government has an obligation to guarantee housing on those levels to tenants, and to represent them as a legislative body. I think also, as we have seen in the media and in the last days that we have gone through, that the landlords are very capable of forming lobby groups, of making their voices known, and that they have concerns as well. So I think the difficult decisions will be trying to balance what I have outlined as a dilemma between providing affordable housing and guaranteeing adequacy. That is why I think that it is not just a question of rent controls but that other compendium packages are going to have to go along with that. At points they will be difficult to decide, what is an appropriate cost that tenants should share and what is not, what is benefiting the landlord solely.

Mrs Y. O'Neill: I really appreciate that you have brought forward that so many of the housing needs are served by the private investor.

The Chair: Sorry. Time has expired. Thank you for your brief.

REAL ESTATE BOARD OF OTTAWA-CARLETON

The Chair: The next presenter for this afternoon is the Real Estate Board of Ottawa-Carleton. We would ask the presenters to please identify themselves for the record, and whom they are representing. You have been allocated 20 minutes, 10 minutes for your oral presentation followed by 10 minutes of questioning. The floor is yours.

1710

Mr Lenardon: My name is Bill Lenardon. I am the president of the Real Estate Board of Ottawa-Carleton, and accompanying me this afternoon are Irving Altman and Irene Wong, both members of the Real Estate Board of Ottawa-Carleton. I think you will find that our presentation perhaps will be of a somewhat more general nature. Our comments are provided on behalf of the Real Estate Board of Ottawa-Carleton in response to Bill 4, the Residential Rent Regulation Amendment Act, 1990. We do appreciate the opportunity to appear before the standing committee on general government to present our views.

The Real Estate Board of Ottawa-Carleton is a trade association of 2,200 registered real estate brokers and salespeople in the greater Ottawa area. The board was incorporated by letters patent in 1921 and among our objectives are the following: to do all things necessary to promote interest in the marketing of real estate in all of its

aspects and to advance and improve the relations of the members of the Corporation with the public; and to promote, encourage and protect the ownership of real property and its value.

Our board represents many diverse interests. Our members are owners of single-family homes and multi-unit rental properties. Some of our members are property managers and many of our members are tenants. Our members' clients and customers include both tenants and landlords. Bill 4, in its present form, will be of benefit to some of our members and will be a detriment to others. We are concerned with the impact of Bill 4 on landlords, on tenants and on taxpayers.

We stress this point as we want it to be clear that our appearance before this committee is unmotivated by any vested interest in the outcome of your deliberations. If we have any interest at all, it lies in our insistence that the parties most affected by the proposed legislation be treated with equity and fairness. In our view, what is being advanced in Bill 4 is neither fair nor equitable to any of the aforesaid parties.

Among other things, the legislation fails to dispel—in fact, it helps to perpetuate—a popularly held misconception that all or most landlords are "major property holders," "rolling in wealth, having realized the value of their initial investments many times over," flippers of rental properties, insisting on unnecessary luxury renovations solely to justify the gouging of their tenants.

As we have said time and time again, and as we fully believe, the best means to ensure the rights of both landlords and tenants is to permit the operation of a free and open market system—we are, after all, a market economy—so that natural economic forces could operate without hindrance. The best controls, in our view, are no controls at all.

As members of organized real estate, real estate boards across the country have for many years fought for the preservation of real estate property rights. Although we have a new Constitution in this country, with a Charter of Rights intended to protect the fundamental rights and freedoms to which we are entitled, the right to private property is not one of them. The proposed Bill 4 represents a further violation of the property rights of landlords.

Landlords, not the government, own the property. Although possibly not intended, the proposed legislation makes it appear that the government is attempting to control the entire stock of rental accommodation in Ontario by driving landlords out of business. Certainly the proposed legislation will make it less and less attractive for landlords to continue owning and maintaining their buildings, and for new investors to enter the rental property market.

We urge the province to respect what should be the basic right of Ontarians—to own their own property without undue interference—and hope one day to see this right entrenched in the federal Charter of Rights and Freedoms.

We are distressed at the inequity that will be created by the proposed legislation. Tenants do have rights that need to be protected, but these rights should not be protected at the expense of another group, the landlords. Much of the rental accommodation stock is provided by individuals

who own only one, two or three units and who sometimes occupy one of these units themselves. Most landlords are not big business people but ordinary Canadians who are saving for their old age and providing an essential service at a reasonable cost. Is it fair for the government to expect these landlords to subsidize rents out of their own pocket or from retirement savings?

Our recommendation 1 is to reject the Residential Rent Regulation Amendment Act, 1990. Keep the existing legislation in place until a public consultative process can be established to develop a new long-term rental policy. Our hope is that such a process will have as its ultimate goal the phasing out of rent controls in our province.

Many statements have been made, or undoubtedly will be made, about the negative impact of this legislation on landlords. The proposed caps on rent increases for 1990 and 1991 will sooner or later have an equally negative impact on tenants. If landlords cannot recover the costs of work that was previously approved, it simply becomes even more difficult and less desirable to continue to own or build rental units. Tenants will suffer as a consequence of the reduction of choice and selection in the rental market. In addition, the impact of renovations planned but which will not now be carried out will result in a deterioration of rental units because of the disincentive to repair or upgrade units, thus depriving the tenants of their rights to adequate maintenance of their units.

According to CMHC, the vacancy rates in metropolitan Ottawa for apartment structures of six or more units was 1.9% as of April 1990, and has been forecast by CMHC to fall below 1%. Does this not tell you something? The depletion of rental stock harms tenants directly.

The retroactive element of Bill 4 troubles us greatly. Many landlords applied for rent increases in good faith and planned repairs and maintenance accordingly. Many landlords have already carried out necessary renovations and will consequently be unable to recover their investment. Some of them may be forced into personal bankruptcy as a result; others will lose all or part of their retirement nest egg.

By not permitting any allowance for renovations already approved, the economic impacts are going to be far greater than anyone can possibly predict at this time. The cancellation of renovation contracts and resulting loss of construction jobs, as well as the reluctance of property owners to replace aging, and in some cases only marginally habitable, rental housing must cost the Ontario economy hundreds of millions of dollars.

People do not want to build new rental units if they cannot recover their costs in rent, and many people will be discouraged from investing in existing rental property.

Our recommendation 2: Permit landlords to proceed with already approved capital improvements and allow the agreed-upon increases. Permit the recovery of the cost of planned capital improvements.

Bill 4 classes all renovations together without differentiating between those which are necessary to maintain the integrity of the property and those which have been categorized as so-called luxury renovations. The majority of renovations carried out are not luxury renovations but are

essential to maintain the property and protect the owner's investment. Our concern is that without some direction or definition of what is intended to be construed as luxury renovations, many types of repairs will be lumped into this catch-all category and will consequently not be carried out, thereby depriving landlords of the opportunity to maintain their properties and tenants of the opportunity to maintain the quality of their lifestyle.

Our recommendation 3: Establish guidelines to define what is necessary to adequately maintain a property and to identify what constitutes a luxury renovation.

1720

The Chair: You have about one minute left.

Mr Lenardon: Thank you. Right now, as we see it, the rental control system is unfairly and improperly forcing the landlord to be a subsidizer of government policy, to the detriment of all. The shortage of rental units will continue to be a problem that publicly supplied housing should not be expected to solve. In fact, the cost of public housing is often higher than housing in the private sector. It would seem much more sensible to see the rent control system replaced by rental assistance allowances for those truly in need and permit the laws of supply and demand to re-establish themselves.

Recommendation 4: Consider rental assistance allowances for those truly in need. We do applaud the government for its general approach to help the people of Ontario, but Bill 4 is not the answer. As we understand it, Bill 4 is meant to fill the gap to provide the government time to have new rent control legislation enacted to be effective 1 January 1992. Why the rush? Landlords and tenants have been operating under the Residential Rental Regulation Act; the rules have been clear. Why change them now as a stopgap measure?

The board's recommendations, in summary, are: (1) reject Bill 4 and begin a public consultative process; (2) remove the retroactivity element; (3) establish guidelines for luxury renovations, and (4) consider rental assistance allowances as an alternative to rent controls.

The Chair: Thank you very much. We are going to proceed with questioning. Let me find my list. Mrs Harrington.

Ms Harrington: I note you asked in the last page here, "Why the rush?" We were accused earlier today of having very silly policy to embark on this and we were told to defeat Bill 4 and go back to the existing system. I want to assure you that we want healthy rental opportunities for everyone in this province, the landlords and tenants, and that is why we are approaching this.

I would like to ask you for your comments on the following, which I just happened to find. I did not have it earlier this afternoon. This is from the annual report of Dr Ratna Ray, who is the chair of the Rent Review Hearings Board, to the government. She is not directly connected with the new government but was appointed some time ago. In her report she says:

"Neither landlords nor tenants are enamoured of the legislation. This observation is not a figment of the imagination of this chair. It is a publicly acknowledged reality.

Infinite complexity, inadequacy and inconsistencies of the act are a daily staple for this board. It has resulted in a horrendously convoluted, time-consuming and confusing program that makes both parties and practitioners unhappy. This high level of dissatisfaction cannot be allowed to continue."

That is why we are doing this.

"When a piece of legislation intended to be an instrument of common good"—which of course all laws are supposed to be—"results in an uncommon level of anxiety, anger and accusations, there is no option but to resolve the issues without delay."

Obviously, with the new mandate for our government for a four- or five-year term, we have to attack this and go at it as seriously as we possibly can.

Just two of the comments that the chair of this board makes:

"Out-of-town, offshore, nameless, faceless landlords are not exceptions. Neither all investors nor all property managers are concerned for the buildings' or tenant's wellbeing."

Finally, "There is a concern that tenants are paying off a building for a landlord and subsidizing flip transactions while not being considered at all when the profits from sales are taken."

This was the report to a previous government. I am wondering if you would like to comment?

Mr Lenardon: I think that, generally speaking, our position is one of attempting to persuade all who may be concerned to try and apply more common sense and less policy that is all-encompassing in its nature. There are assumptions that there are landlords who are out there who are profiting at an unnecessarily high level or not doing, for lack of a better way of saying it, their jobs as landlords, being, we believe, a distinct minority, not a majority, and should be dealt with in a more specific fashion. Therefore, all landlords, no differently than all tenants, are not to blame for the difficulties.

Mrs Y. O'Neill: Well, I want to thank all of you for coming this afternoon. As you know, I know a little bit about you and visit you from time to time, and what I see in your document, as I have seen before, is that you treat the whole situation and in some cases the whole family when you are trying to seek housing for them. I really do feel that you have done a lot for our community. I know you know, more than anyone, likely, the economy of eastern Ontario is not at its very healthiest moment, and we often hear that Toronto does not even know we exist. You have on page 4 attended to that very, very briefly, and I wonder if you would say a little bit more.

The context I would like you to say that in is, you began your document—your recommendations are very helpful—by saying you want to get involved in public consultation. One of the greatest difficulties I have with Bill 4 is the message it sends out to investors in this province, and certainly to landlords in this province, the insecurity that it creates, and certainly the fears that it engenders.

I do not think we needed Bill 4. I think we could have gone immediately into consultation once we had received the annual report that we had from the director of the annual rent review process, but we had to have Bill 4, which sent out a very negative message to many people. So I would like you to say a little bit more about your third paragraph on page 4—you must know more than is in that one sentence—about the cancellation of renovation contracts and resulting losses of construction jobs. Could you just elaborate a bit about what you think and have observed has happened to the economy of eastern Ontario as a result of Bill 4?

Mr Lenardon: Before I answer that, I am going to ask if any of my colleagues here have—I think you are looking for specific responses?

Mrs Y. O'Neill: Certainly something that would help this community get—

Ms Wilkinson: I can give you something very specific which is something I have been working on in the last two months. A lot of the people had building units, there are hundreds—I am not sure of the exact number; I was involved with 75, but there are more—of units which were condominiumized some years ago and have been rented for many years which are being sold right now in Ottawa-Carleton. Many of those are being bought by first-time buyers, which is nice that affordable housing is being made available. In fact, we are reducing the rental stock considerably.

There are a multitude of reasons for this, it is not just one, but one aspect is that some people do not feel it is worth while any more holding on to rental units, and there is a fear that this bill is going to make it so difficult to—not make money, but to lose too much, because that is what happens with a lot of small landlords—that they are being sold off. The rental vacancy rate here is already low. I am very concerned that over the next year we are going to find a very, very tight rental system here.

So that is one aspect of the economy, because they are not building—I do not know of any major builder building rental units now—and they are selling off some of the existing stock. I do not think it takes very much to work out that it is going to be creating quite a problem.

Renovations are the other part of it, and no major renovations are going on unless there is a very serious situation with a municipal order.

Mr Tilson: The government has indicated that it is going to encourage more and more non-profit housing. I would like to know where your organization's philosophy is on non-profit housing, as opposed to encouragement of the private sector type of housing. Does that help the situation? I am talking about perhaps the social issue of it. Does that create a widening of a gap between the people of this province, the economic gap between the people of this province, or is that a genuine good move?

1730

Mr Lenardon: To answer that kind of a question right now would be necessarily more a personal response than on behalf of the members. I think most of us, though, would find agreement in stating that the need for public

housing as a specific thing is probably very necessary in a very tight and specific area of need and not, again, as a general sweeping answer to people in general who are having some financial difficulty.

We have already suggested some sort of allowance factor based on a more personal nature as a subsidy versus all-sweeping rent controls is probably a better answer generally, and the specific need for public housing per se should be for a very specific, very defined area of the population.

Mr Tilson: Sir, I would like also to ask you a question on the economic aspect of Bill 4. Not necessarily you, but your organization would probably deal with investors province-wide, nationwide and perhaps international-wide. Investors listening to the debate with respect to Bill 4 and reading the legislation of Bill 4; what has that done as far as the confidence that these investors have in the province of Ontario with this particular sector?

Mr Lenardon: I think you will find that investors—and when we speak of investors, I assume we are talking about those who invest in income properties, small or large—are no different in general than anyone else in the province considering buying anything, from a car to an income property. Therefore, the bottom line to that kind of a question is that if you were told when you bought it that your car was going to increase in value and two years later you were told that the rules were going to be changed and it was going to decrease in value and that anything you

wanted to do to maintain its value would not be of any benefit to you because it would cost you more and more, you would tend to pull in your horns and not invest in that car. I think, in very simple terms, anything that appears to a prospective investor as a detriment to his ability to show some kind of return profit over a reasonable future is going to slowly curtail more and more the desire to purchase or build income property.

Ms Wilkinson: One of the major investors in, say, a large apartment complex is pension funds, and these are pensions of a lot of Canadians, and by the types of controls that are coming in we are actually reducing the value of people's future pensions and I think it is something to consider with investment. We are not just talking about nebulous—there are individual people involved in those investments, and most of them are Canadians. There are some offshore, but the majority are Canadians and for the majority of them it is for long-term pensions, which saves government moneys because it means people provide for themselves instead of looking for handouts in their old age. I think it is something to keep in mind.

The Chair: Very good, thank you. Our time has expired. I would like to thank the Real Estate Board of Ottawa-Carleton for coming in. The hearings for this afternoon have been concluded. The committee stands adjourned until 8 pm this evening.

The committee recessed at 1735.

EVENING SITTING

The committee resumed at 2000.

The Chair: Ladies and gentlemen, I would ask everyone to please take their seats. Thank you for your co-operation. This is the evening sitting of the standing committee on general government. This committee is having public hearings on Bill 4 and Ottawa is one of the centres across the province that we have visited.

Mrs Y. O'Neill: Ottawa is not over yet.

The Chair: No, Ottawa is not over yet.

Mrs Y. O'Neill: You were using the past tense.

The Chair: We still have tomorrow—tonight and tomorrow. I did not quite want it to sound like that.

We have two presenters this evening. The first presenter will be given one hour and the second presenter, I understand, will be given 45 minutes—pardon me, 40. That is a little bit different than what we have been doing in other centres, or for other presenters. We have been allowing 20 and 40 minutes, but because of the size of the delegation we thought it would be only fair to allow an hour since a number of organizations are being represented.

FEDERATION OF OTTAWA-CARLETON TENANTS ASSOCIATIONS

The Chair: The presenters for this evening are from the Federation of Ottawa-Carleton Tenants Associations. You have 30 minutes to make your presentation and then the members of the committee will reserve 30 minutes for questions and answers. I would like you to identify yourself and all at the table and what positions you hold in this organization and any other organizations you may be representing. I will turn the floor over to you, Mr McIntyre.

Mr McIntyre: Actually, Ms Keasey will start.

Mme Keasey : Bonsoir, je m'appelle Marie Keasey. I am the chairperson of the Federation of Ottawa-Carleton Tenants Associations. Sitting next to me is Dan McIntyre, who is the executive director of the federation. Next to him is John Burant, the vice-chair of the federation.

J'aimerais souhaiter la bienvenue aux membres du comité à Ottawa. M. McIntyre va maintenant vous présenter l'exposé de la fédération.

Mr McIntyre: Thank you, Marie. My presentation will be entirely in English, but we certainly want to recognize the large percentage of tenants in our area who are francophone and deserve and need protection and good legislation as much as or more than anyone else. We are not going to read all of the brief to you.

The first page of our brief is a backgrounder. A number of you are not from the Ottawa area. We welcome you to Ottawa and we hope to see you back from time to time. Of course, Ms O'Neill is an old friend. It gives you some of our history and our history particularly with the rent review/rent control issue.

The position of the Federation of Ottawa-Carleton Tenants Associations is that we support this interim legislation. Bill 4 does not address all of the major concerns of

tenants, but it does deal directly and boldly with the issues of capital expenditures and so-called financial loss. We will be asking or proposing a couple of amendments but essentially we are here for Bill 4.

Bill 4 is An Act to amend the Residential Rent Regulation Act, 1986. I think that is extremely important to underline, because this is the Residential Rent Regulation Act and this is Bill 4, so if you weighed them, you would see the difference. And you have to understand the RRRA to understand Bill 4.

That act, which we will refer to as RRRA, is so severely flawed that a complete overhaul has been in order for some time now. We are hopeful that permanent legislation will be forthcoming in a reasonable time. Tenants have learned at first hand that the current system is stacked against our interests. Compounding, a word I have not heard much here, and frequently excessive rent increases have meant that housing is becoming less affordable as it ages. Many tenants have experienced economic eviction or other hardships, such as having to go to food banks just to survive, and all tenants have had a reduced quality of life.

The results of the rent review system enacted in 1986 are not a big surprise to us. We predicted it. In fact, the legislation proved worse than our predictions, due to unforeseen regulations and the breakdown of the rent registry. Just for the record, I happened to be the tenant member of the Rent Review Advisory Committee in 1986 who did not sign the report. That was my first prediction.

In that historical context, we would like to deal with the issues of rent increases and their relationship to Bill 4. We are going to start with guideline increases, a topic not talked a lot about here either so far.

Landlords make more money in the years they do not go to rent review. In those years they get an extra 2% revenue bonus built into the 5.4% or 4.6%, whatever it is. This is in schedule A of this Act. It is not attributable to any cost. That 2% has been compounding since 1987. The effect today is that all rents, by the end of this year, will have been built up by 11%. So a rent of \$600 per month contains a \$66.00 bonus not attributable to any cost. By the end of 1990, it is 8.9%. To illustrate the buildup of rents compared to costs, we have put some charts at the back of our brief. I will be highlighting those later.

This giveaway leaves landlords with lots of money in current rents to pay for capital expenditures. It also leaves tenants with an outstanding grievance to be dealt with in permanent legislation. Bill 4 allows landlords to continue receiving this bonus during 1991, and perhaps 1992.

Turning now to capital expenditures, a source of substantial rent increases and concern for tenants, under the RRRA tenants would have to bear more than the costs for any capital expenditure. No consideration was given to necessity, desirability, affordability, quality, history or whether lower prices were sought. Placed on top of capital expenditures were management allowances, high-interest allowances and extra consideration if the landlord personally did some of the work. There was a tenant here from

Minto this afternoon. According to their own submissions for rent review, they completely financed their so-called capital works out of their retained earnings. Rent review allows them interest as if they had borrowed the money. It is a good way to get a great return on your money.

Once placed into the rents, these allowances compounded over and over again. Tenants would keep paying long after the landlord had fully recovered costs and tenants would not share in the increased value of the building. Landlords have not been required to keep or use reserves for capitals. They do not even want to talk about the compounding bonus in the annual guideline. Nor has consideration been given to depreciation allowances. Costs no longer borne are allowed to remain and compound in revenue and the RRRA specifically states that any capital costs before August 1985 can never be taken out of the rent—never. It stays in there for ever and, somewhat contrary to what Mr Caparelli said today, even under the new act it is only if that specific, same item ever comes back that the original allowance is taken out, not the compounded allowance.

The expectation of landlords is that future tenants should pay for everything. They want current rents and other landlord benefits to be ignored.

Bill 4 provides much-needed relief—that is what it is—for tenants facing the one-sided considerations given to capital expenditures.

Again, our charts will show some of the true ramifications of capital allowance increases.

Financial loss: Everybody knows the golden rule of investing: Buy low, sell high. The RRRA induced investors to buy high with the prospect of selling higher and with tenants subsidizing the transactions through increased rents. Tenants get nothing positive for these transactions. All we get is the rent increase along with sometimes unstable management, because it is going to change, and sometimes reduced cash flow for maintenance. Sale prices were further propped up by the use of vendor-take-back mortgages and the recalculation of interest rates on those mortgages.

The elimination of financial loss will mean that properties will be more fairly valued in sales transactions. More important, it ends the tenants' subsidies to investors, including the insidious phase-in provisions of the RRRA.

2010

Extraordinary cost changes: Bill 4 eliminates all but six of the categories eligible for this treatment. These are matters said to be beyond the landlord's control.

The only category that concerns us is municipal taxes. We propose that this matter only be considered where the cost increase is due to a general mill rate increase. We think that changes due to reassessment ought not to be considered for a rent increase. Reassessments can be a product of capital works done to the building. As these would already be recognized in previous cost awards, it is unfair to ask tenants to also add on the reassessment cost to the taxes. If the change has to do with market value assessment—and if you had an hour, I could talk about this—it is not right to treat an increase by way of a land-

lord application when there is no mechanism for a rent decrease when buildings have been assessed downward.

Maximum legal rent: A little time bomb in the RRRA. Under the RRRA, every rental unit has two rents, actual rent and maximum legal rent. Often they are identical. However, when maximum legal is higher than actual, landlords can take large catch-up rent increases without any application whatsoever. These increases often catch tenants off guard. They are contrary to the intent of Bill 4. The gaps occur because of extremely generous rate-of-return provisions in the RRRA and/or landlords, for whatever reason, not taking or needing annual increases.

In keeping with the intent, it is necessary to return to a system that deals with actual rents. Landlords who have not taken increases usually do not need the increase. With the rent registry not working, tenants do not know that they are exposed to these increases. Sometimes no increases are commensurate with no maintenance. Large rent increases are large rent increases. They ought not to be tolerated. An amendment would be required.

Timing of this act: Discussions at this committee, in the Legislature obviously, in the media and elsewhere have often centred around the effective date of this legislation. We keep hearing the word "retroactive."

Landlords seem to believe that they could do anything they wanted and they would be guaranteed results. As critical as I am of the RRRA, nowhere in that act are rent increases guaranteed. In fact, the implementation of the RRRA brought about a significant change to the way rent increases are treated in this province. Under the RRRA, the Minister of Housing became personally responsible for rent increases in the province. Previous law, the Conservative law, had delegated responsibility to a commission, at arm's length. The RRRA made rent increases a political decision mandated by legislation. As long as the same minister, or the same government, was in power, landlords and tenants could expect rent increase decisions to go a certain way. But neither landlords nor tenants should be able to expect the status quo when the government changes. Elections are a democratic method of bringing about change.

As of 1 October 1990 we have a new government and a new minister. There is an ability to change the law. I understand that was checked with the Attorney General. There is an obligation to act in a manner consistent with what you promised the electorate, wherever possible. This minister and his party had voted against the RRRA. While they were in opposition, Dave Cooke moved a resolution, in May of last year, to throw out the RRRA and bring in real rent control.

During the election, the NDP made a specific written promise to end the current system and replace it with a simple system of rent control. It would have been unconscionable and unthinkable for this government and this minister to fail to act as soon as possible to end a situation they had so steadfastly opposed. From 1 October onward the minister would have been put in a position of authorizing increases that he did not agree with. He was on record. Governments that act on election promises are to

be commended. The blood would have been on their hands had they dithered.

We have identified over 10,000 units in our area that could have been belted with high increases in 1991. That could have been 10,000 broken promises without Bill 4. We expected the government to keep its promise, and Bill 4 is a significant step in that direction.

All the capital expenditures we have seen recently claimed were financed from retained earnings. All of the financial transactions were voluntary. Tenants do not have the same voluntarism to what happens to them. It would not be necessary or right for tenants to have to carry the freight again. If anything, Bill 4 is too late. A lot of damage has been done to the affordability of our housing.

Affordability: According to the regional municipality of Ottawa-Carleton, about 37% of tenant households had an affordability problem in 1986. That is before the RRRA comes in. We believe that figure to be closer to 50% today. With the minimum increase above the level of inflation and a number of other increases well above it, it just follows, because incomes are not going up that fast. Rents are eating up more and more of tenants' income. We often see less and less maintenance at the same time.

The only way to make rental housing more affordable is to hold rent increases to below inflation. Units are naturally aging and it seems senseless to make us pay more for our units in relative dollars. They are getting older, that is a fact of life. Bill 4 puts the brakes on an escalating problem. Other legislation and initiatives are still necessary to tackle the problem, and we—and I say “we,” the 100,000 tenant households in this area—cannot afford to make it any worse.

Summary: Tenants in Ottawa-Carleton currently pay over \$700 million in annual rent. I estimate it would be \$7 billion in the province. It costs about half of that to operate rental units. We recognize that operating costs are subject to inflation and we expect tenants to pick up that increase on reasonably maintained properties. The rest of the money goes for equity and profit. There should be sufficient revenues to cover major necessary capital works. It is built into the rents with these 2% bonuses and whatever and the cost no longer borne.

It is not necessary to place a larger tariff on future rents, because landlords do not recognize the magnitude of current rents. We are attaching to this brief a list of rental buildings that RRRA or Bill 4 have been impacting upon. They may look like names and numbers but remember they are real people who live in these units, people who are struggling to get by or get ahead, who are struggling with taxes, who only hope for fair treatment and who do not have a lot of money or ability to lobby governments. It is on behalf of these very real people who are impacted by rent increases that we present this brief this evening. Rent is not in control in this province. Rent control is needed and Bill 4 is a start.

That is the formal part of our brief. I want to walk you through some of the appendages. The next page shows the amendments that would be required to meet the two problems that we see as outstanding. We think these amendments are consistent with the intent of the legislation.

Some background on the charts and scenarios is on the next page. The main thing I want to emphasize is these are not extreme examples. These are rather conservative examples of what happens with what has been termed as almost “affordable” increases because they are not the 20% and the 100% increases and all that stuff. Mr. Caparelli told you that there was only a couple of hundred units that got over 100%. That is right. Does that make a 20% increase right? Anyway, I do not want to get too far on that one.

In the first scenario that we show you we take a typical rent of \$500 per month in 1986, fully serviced—that is, heat, hydro and parking. What we do is apply the guideline increase each year and we apply the factor developed by the building operating cost index, which simply measures the cost for landlords. What we have done here too is taken 60% as operating cost, and let me tell you I am observing more and more cases where landlords are only spending about 40% to 45% of their rent revenue on operating cost. The RRRA recognizes 67%. That is where the two thirds of BOCI comes in, because that is applied to revenue. So that is generous too, but we are not too upset about that. What you do then is apply the increases, and what you see on the other side is the increased gross profit that happens without the landlord putting another penny into the building.

What the landlord does who is in a profit position is take the money out. He can put it into another building, invest it somewhere else, whatever he wants, so it is like having a \$100 savings bond where you take the interest out each year. You are not entitled to accumulation unless you put the interest back in. So what you have over a mere seven-year period is, the gross profit grows from \$2,400 to \$3,541 and it keeps growing, and that is the effect of the 2% bonus built in to rents today. So there is more money than ever before, even for landlords who do not even go to rent review.

2020

Our second scenario proposes that in 1988 the landlord does some capital expenditures, and we have worked this out as a mix of five- and 10-year items and we have imputed what works out to an 11.1% increase in 1989. We have even allowed for revenue lag, but again, if you look at the gross profit figures, by 1993, whereas with the guideline the gross profit was \$3,541, the gross profit now is \$4,009. The capital is completely paid for, and the rents are still escalating. Okay? The provision for costs no longer borne does not kick in.

The third scenario is a building that gets sold late in 1987, which is just convenient for giving you most understandable charts. What we have presumed here is that the landlord was given the 5% financing in the first year and two phase-ins. Look what happens to this landlord. By 1993 his rents are \$9,665. He has not put a penny into the building, other than buying it. His costs are the same, because operating is going to cost the same to operate the same piece of merchandise. His gross profit is now \$4,804. The money just grows and grows, compounding. Every banker knows what it means. That is what is happening to our rents. That is why putting controls on and slowing down this escalation is absolutely necessary, and the government

has gone some distance on this, but frankly, I think there can be more distance to go.

The last two sheets include some of the buildings we have identified that have had some history with the act. I am sure we have missed a number of them. There are a couple of spelling errors in there, that sort of thing. The other thing, modestly, is an article that I wrote on rent control prior to the introduction of this bill, for your amusement.

That concludes my remarks tonight. I would be happy to take any questions that anyone might have.

The Chair: Very good. I mentioned earlier on today when we had a very large delegation that the sitting of this committee is basically an extension of the Legislature and therefore no demonstrations are allowed and I am going to ask all of you people in the audience tonight to help me run an orderly meeting. I know that we all want to express our emotions, and I know we feel strongly about these issues, but we have to have orderly meetings and I need your co-operation and your help to make sure that happens. Thank you.

We are reserving 35 minutes for questions, starting with Mr Tilson.

Mr Tilson: You were quoted this afternoon, Mr Burns, by—

Mr McIntyre: It is McIntyre, by the way.

Mr Tilson: Mr McIntyre, I am sorry. Mr Burns was the one who quoted you, from the Urbandale Realty Corp.

Mr McIntyre: I usually do not quote him.

Mr Tilson: Well, he has quoted you, and I would like to read to you what he has in his statement, a quotation that he attributed to you on an issue that you dealt with a few minutes ago, and I would like you to respond to that. Unfortunately, the way the system is we hear a landlord, we hear a tenant, we hear someone else. It would be nice to hear both at the same table, because we hear quite conflicting views on issues. However, Mr Burns has commented, and I would like to read what he has said. This has to do with the subject of allowance for work and rent.

"Dan McIntyre of the Ottawa federation of tenants keeps saying that there is a 2% allowance for the annual statutory increase to allow the landlord to save for periodic major capital works. An examination of this will show that 2% of a \$400 per month rent provides a fund of \$96 per rental unit at the end of each year: hardly a dent in the above-noted costs which we have experienced; hardly a dent towards the cost of items such as the \$6,395 per rental unit spent by the Ottawa-Carleton Regional Housing Authority for installing metal cladding on a high-rise senior citizen building to solve a serious and dangerous brick problem or \$10,000 per unit to replace flat roofs on row housing or \$5,942 per unit for repairing a garage parking deck."

That seems to coincide with what you have said tonight.

Mr McIntyre: No, it does not.

Mr Tilson: Could you respond to that?

Mr McIntyre: He has forgotten compounding as well. He has taken 2% as a literal number. It is 2% every year: End of 1990 that is 9%; end of 1991 that is 11%. On that \$400 rent, which is well below CMHC average, by the way, that would be \$44 per month times 12. That gives you about \$600. So it is a heck of a lot more than he has alleged.

That is a starting point. There could be costs no longer borne in that rent. There could have been other cutbacks and savings. There could be other factors. The tenant from Minto this afternoon indicated he would like to see windows put in so the landlord could save money on heating costs. There is another way you pay for capital expenditures. There are all sorts of things in there, and we have to look at those things.

I guess the underlying point is there is a lot more there than what this committee has been told, in the current rents.

Mr Tilson: I think that gets to the real problem, as I see it. There is obviously a perception—because you are not the first person that has come to these hearings and has said that—the landlords have lots of money; they are ripping the system off.

Mr McIntyre: I did not say that.

Mr Tilson: I am not saying that you are, but that is the implication that many tenants' groups are saying.

Mr McIntyre: We do not imply that.

Mr Tilson: That landlords are taking advantage of the system.

Mr McIntyre: Of course they are. I would too.

Mr Tilson: And yet we are having landlord after landlord after landlord coming to this committee and saying that the money simply is not there.

Mr McIntyre: Well, Mr Tilson—

Mr Tilson: If I could just finish. I know you are all excited about this and that is understandable, because of the crisis—because there is no question there is a crisis. I see a number of seniors in this hall tonight who cannot afford any rent increase, and I appreciate your speaking on their behalf. But we have landlord after landlord after landlord coming to us saying, "There's no more money." They have enough money to maintain their buildings, to do minimal maintenance, but they do not have enough money to perhaps put new roofs on, to build parking garages, to even carpet halls.

I can say in my riding, which is the great riding of Dufferin-Peel, we do not have a great deal of apartments in our riding. It is a rural-urban area, but there are a number. I spoke to one apartment group last week, which was a twin building basically made up of senior citizens. Last year, 11 simply left the building because they could not afford the increases. They could not afford any increases, let alone the 4.6% or the 5.4%. We had a meeting and the landlord was present, and the landlord opened up her books and she showed that they simply did not have enough money to construct a new roof. They had put on a boiler system, which had gone through the system. They did not have the

money required to replace the hall carpets in the two buildings.

So it is a bit of a dilemma and I would like you to comment on that, when we have landlords coming to us simply saying there is no more water at the trough.

Mr McIntyre: Several things to comment on, because you have raised several things. First of all, there are some landlords who, if they open the books in my presence, I would trust them. There are some I would want a third-party auditor.

Mr Tilson: Of course you would.

2030

Mr McIntyre: I am going to take that with a grain of salt.

You cannot simply pull out a case from your area and say, "This applies across Ontario."

Second, I have been following this committee very closely, thanks to its being televised, and the opposition has been asking for information, and rightly so. That is part of your role and I appreciate that. Why has nobody done what I have presented in a brief here? Why has that not been done in a study to show what has happened to rents? The information I start with was given to me by the Ministry of Housing when I was on the Rent Review Advisory Committee. It might be ironic, being a non-signatory, that I now use it, but that established for me a basis that you could look at the truth in operating.

I worked with the private sector for many years before I worked for this organization, and was very happy to do so. I used to work with farmers. I did their books. They all cried about how little money they made, and I always sympathized with them, but I knew what they had.

So what we need too is the government to do these things. You can impute all sorts of different rents and different operating cost ratios and different factors in here and you will see that really the money is there, it is just whether or not they make good—

Mr Tilson: But are all these landlords lying to us?

Mr McIntyre: I do not know.

Mr Tilson: Are they all lying to us?

Mr McIntyre: I do not know.

[Interruption]

The Chair: Order, please.

Mr Tilson: Ask a foolish question, get a foolish answer, I guess, I do not know.

Mr McIntyre: I think what they are doing is quite legitimate. We came before a similar committee in 1986 as the tenants, and we did not want the government of the day to pass Bill 51. We fought, we did our best, we put forth every argument we could and we lost. I am sitting watching landlords and I appreciate what they are doing. They are trying to defend what they have got. You have got to look at what they have got. They do not want to lose it. I do not blame them for that, but what you have got to look at as a Legislature is what is right for tenants and what is right for the affordability of housing today. Bill 4 is a start; that is what it is.

Mr Tilson: What are your recommendations to this committee? Obviously we are dealing with Bill 4, but somehow it has got into more permanent legislation, which is really unfair because we have not even seen the permanent legislation, but we are talking about Bill 4.

Keeping that in mind, I see statistics—and I spoke to you this morning about this and I would like to hear your comments about it—where there are 360,000 tenant households that spend 30% or more of their income on rent. In other words, they cannot afford the 4.6%, they cannot afford the 5.4%. Bill 4 does not address that problem. It does not do anything for the 40,000 families on the waiting list for subsidized housing. It does not do anything with respect to that. In other words, it is called a war on poverty. The question that I ask you is, is the answer simply that the government takes over the whole housing industry, or what role does private enterprise have in this whole system?

Mr McIntyre: Private enterprise has a major role to play no matter what the supply mechanism is. There is not a non-profit housing unit in this province that was not built by the private sector. So what we are talking about is ownership. There is a definite role there. They have got all the bulldozers, they have got all the cranes; and that is great, they do a good job.

Mr Tilson: They have you, sir; you are downplaying yourself.

Mr McIntyre: Okay. In terms of the ownership, in 1986 again, when the Liberals and the Conservatives voted for the RRRA, the rationale for that act was this was going to make the sky full of cranes. They were going to go out and build apartment buildings. I think we have got to the point where we realize that is just not going to happen because you cannot put the product in the ground and get a rate of return in a competitive market that you would require, like over \$1,000 a month for new units. So we have to be realistic about that. We have got a lot of condominiums in this city that are dressed up as rentals right now that are being rented out. They are really condominiums. The rug can be pulled out under anybody.

Mr Tilson: My question was, what do we do for the next two years, this moratorium period where we are having these rents all of these people cannot afford? I imagine there are people in this very room who cannot afford the rents that you are recommending.

Mr McIntyre: Let's get back to Bill 4. It is a temporary piece of legislation. We have got 10,000 people who are looking for its passage because they went through Christmas thinking they were going to not have to pay the 20% proposed increase. You, and hopefully I, will get our hands on that green paper Monday morning and let's get to it. I am willing to sit down with you, with members of the official opposition, with the government, with the staff of the ministry, and we have got a lot of ideas, but what we are asking for right now is, give us some certainty, give us some relief and pass Bill 4 and we will have the most thorough, honest discussion that we can possibly have about the future of rent control in this province.

Mr Tilson: But during that time, sir, the tenants of this province cannot afford the rents that you are recommending.

Mr McIntyre: If you do not pass Bill 4, I have got 10,000 people looking at 20% increases. So there is no value to not passing Bill 4. Let's get on with that issue; I agree with you.

Mr Duignan: Thank you, Mr McIntyre, and your panel, for coming here this evening, and on behalf of the government committee members here I thank all the tenants for coming out here and showing support for Bill 4. You are quite correct when you say that Bill 4 is a temporary bill to give some relief to the tenants of this province, who have not had relief for the last number of years and are paying an average of 11% increase in rent. It is a breathing space where we get together to put in a permanent piece of legislation that is fair to both tenants and landlords.

I have some questions that I would like to ask today, some specific questions around some increases that your tenants will be facing, for example, in the Minto properties. Could you give us some specific examples?

Mr McIntyre: Minto management have applied in their Bayshore portfolio, which is one of their older ones, which I can assure you they are making good money on. In fact, I do not mean to say it out loud, but I sometimes refer to it as their cash cow. Parkwood Hills is another place they have applied, Herongate. They went to rent review in great numbers October 1.

I do not know whether there is any relationship between the fact that that was when the NDP came into power with your written promise, and I am not doubting that much of the work that they would claim as capital expenditures was done, but I have no reservation in saying Minto will do quite fine without those rent increases and the tenants are the ones that—I mean, if you are going to err, err on the side of the tenant. I do not think it is an error, but basically, let's start putting the tenant first for a while. The landlords have been having this escalation that we are showing here. Put the brakes on. Let's get on with the discussion Monday morning and see what happens.

Mr Duignan: Given the fact that some of the Ottawa landlords have been collecting consistently high rent increases through the old system, do you believe that landlords have the money to make repairs out of rental revenues?

Mr McIntyre: Certainly. First of all, the building operating cost index has a component in it for maintenance. The day-to-day maintenance has a component in it for a superintendent, has a component in it for heat, hydro, water, etc. It is all built into that increase. And the two thirds of BOCI we are not disputing tonight. So it is all there. It is built in. And this is from figures landlords put in to rent review and that were used to give to the Rent Review Advisory Committee in 1986 and that started that index, which is a good index. It does not go on the price of oranges or potatoes or anything, just what it costs to rent.

Also, we were told that while 1% of the extra 2% is for capital, you cannot say, "Well, they spend 1% every year

so you can't count that." That compounds every year, so now, even if you took half of that, that is 5.5%.

The other 5.5%, one of the landlord deponents in 1986 who was a member of the RRAC committee came before the committee and said that is for a rainy day. Well, it is raining on tenants, so let's make some changes.

Mr Duignan: Have you any idea of the numbers of tenants who have been economically evicted?

Mr McIntyre: What we know is that night follows day, and if you increase the housing component of one's expenditures, you put a pressure on. We do not have people calling up and saying: "Hi, I just moved into the senior citizens home. I did not want to, but I can't afford to live in the Saville Terrace Apartments any more." But we know that that is happening. We also expect that people are doubling up. We also expect that, as somebody said this afternoon, they are going to substandard accommodation. They are moving around. And we know that we have a homeless problem in this province.

We also know that even those tenants who can afford the rent increase, supposedly, do not get a 20% pay increase when they get a 20% rent increase. So even they might cut back on going to the movies or going to the restaurant, all of which has a negative effect on small businesses in our community. So it has effect.

There is no way of quantifying an economic eviction. I can tell you one of the first cases I got involved with was a building at 1071 Ambleside where the landlord got a 37% increase. We formed an association, tried to fight it, got the 37%, the landlord appealed, got 52% on appeal. We do not have an association there any more. You know why? Because all the members have left. I do not know where they are.

Mr Duignan: I firmly believe that housing is a right, and someone's apartment or town house or whatever it may be is their home. They put X amount of effort into it to keep it their home. Do you believe that landlords view it that way, or it is just viewed from an economic point of view, a profit base? Or do they believe that tenants are just transients?

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Mr McIntyre: They are all in the business to make a profit, and under Canadian law and practice that is fine. There are some who, I think, have a pride that they are providing a vital service to Canadians. I think there are others who are simply in it for the money, who are buying up some of our older stuff and pulling some of the stuff that—frankly, I think maybe this committee should be looking at the conduct of some of the landlords who are coming in and doing various things, being in violation, taking this money and not spending it and then going for low-rise rehab grants, all sorts of things that are going on. I do not—and this is one thing that has bothered me through the committee—paint all landlords with the same brush, but there are certainly some characters. I personally support what was said this afternoon: You have to license landlords.

Mr Abel: Thank you, Mr McIntyre, for sharing this very comprehensive report with us. I found it very informative,

and believe me, it certainly does concur with concerns that I have heard from tenants in my riding, back home in Wentworth North.

I think it is very fitting that you and this group are here tonight because today, for those of you who were here today, we all had to sit and listen to a lot of Grit and Tory pap on Bill 4.

Mrs Y. O'Neill: You do not know what party those people were from. That is an insult to the people who were here today.

Mr Abel: And we were called socialist paps. I mean, take it and—

Mrs Y. O'Neill: I do not like the people of Ottawa being accused of that kind of thing.

Mr Abel: Anyway, if I can have the floor back, I would think with the line of questioning it is quite obvious that the Tories have put dollars before the people and the Liberals have seemed to ride the rail and jump off whenever it suited them best. In fact, one of the Liberals who voted for this bill on principle in the House today called this bill "silly." I do not think it is silly at all. I think it is a necessary piece of legislation, something, as Mr Duignan said, to give us some breathing space so we can get this disaster straightened out.

Mr Tilson: Nice question.

Mr Abel: The question, I guess, I do have to put to you is, obviously there are deficiencies in the current legislation, would you not say?

Mr McIntyre: I do not have enough time to answer all the—I just want to make a point for the record. The federation is a non-partisan organization. Many of us personally choose to support whatever party of our choice, so I do not want to get involved in the political back and forth here.

Mr Abel: No, no, this is not political.

Mr McIntyre: But what I am going to do though, Mr Abel, as a former Hamiltonian, is challenge the government to start developing along the lines we have showed you in our brief as to what is happening with rents, because a whole lot can be done. We did it with a simple Supercalc program to show the growth in rents. You have a responsibility. We would like all parties in the Legislature to support tenant rights and rent control, and I think it is important that we work together and we discuss it and we talk about differences, and we are prepared to do that.

Mr Abel: Exactly, and we do want to work together.

The Chair: Mrs Harrington has time for one question.

Mr Abel: Okay. Did we use our 11 minutes?

The Chair: Yes, Mrs Harrington has time for one question.

Ms Harrington: Thank you very much, Mr Chair, I appreciate that.

I want to thank you, Mr McIntyre, for bringing your expertise here. Certainly with your going back to the RRAC, you do bring a very comprehensive way of looking at all of these figures and data.

Part of our job, obviously, as a government is to bring people together in this province. I am sure all of you tenants realize—and you just said it a few minutes ago—that we need to have very good landlords and very hardworking landlords. I know there are some in this room whom we have heard this afternoon; in fact, two women who I know are sincere and hardworking. I wondered how would you answer them when they told us—and I believe them—that they are hurting, that they have to get a job in order to make the building stop, I guess, from going into bankruptcy.

Mr McIntyre: The dilemma there, Ms Harrington, is that that gets into the financial loss provisions of the RRRA, and investors tell us they are risk-takers. They did not have to buy the building. They knew what the revenue of the building was when they bought it. Why would somebody buy a building that would deliberately lose money for a few years? Tax breaks and the rewards from rent review are two obvious answers. Those rewards are being paid out of our pocket. Tenants were not at the table when those deals were signed. Certainly, without the RRRA those landlords would not have paid the same price for the building. Second, they had every right to walk away and say, "Either the price comes down or I'm not buying it from you." But they chose to buy it and they chose to ask us to subsidize their investment.

Mrs Y. O'Neill: Mr McIntyre, you and I have spoken quite a few times, though we may be of different political stripes, and I am not even sure of that. We do not talk about that because we do know we have a mutual interest to help people who need to be helped, and you and I do work together on the hotline—and now I think it has been restored—and I certainly do feel that all of the parties who were part of that made a good effort. I am very happy that you decided to put down the people you represent. All of the first few are from my riding of Ottawa-Rideau. I do not know whether that was on purpose or not, but it is nice to see that Ottawa-Rideau is being profiled.

If we look at your page of the people you represent, it does look like they are more or less the larger landlords of Ottawa-Carleton. I do think that for the most part, and you may want to question me on that, you do seem to represent those units and buildings that have 50 or more units, and they, in my humble opinion, are somewhat different than some of the people we have heard from this afternoon, even, the 40,000 people in this area who have three units or less. So I feel that that consideration has to be taken, certainly not in Bill 4 it is not, but in the permanent legislation. You may want to comment on that.

I do think that you have brought forward some of the weaknesses in Bill 4. We have been told, even by the government members, including the parliamentary assistant, that there are hardships on both sides still, even with Bill 4, and we have to get permanent legislation. That is what we have been basing our whole hearings on, it seems. The provision for costs no longer borne is a very crucial point that no doubt could be eliminated very quickly and with some creative legislation—and I do have to say that I think some of your thinking is very creative—and that the

municipal taxes issue, I think, is something that could be looked after immediately in an amendment to Bill 4. I do not think we should wait. It is so simple. The maximum rent issue is another issue that, I think, is one that could be wiped out very quickly.

I am hoping that next Tuesday, when we begin clause-by-clause, some of the things that you are hoping for, and that I am hoping for, will be received by this government. We have very little indication at this moment that there will be any changes to Bill 4. I do not think it is necessary to wait until January 1992 to do some of the things that you have brought forward.

I have a couple of questions for you. You say that a 10% affordability problem is existent in the community.

Mr McIntyre: That is an opinion.

Mrs Y. O'Neill: I have not got that same statistic. I do not know where you got it. Simply because, certainly in Ottawa-Rideau, and throughout Ottawa-Carleton for that matter, there is a lot of social housing, there is a lot of co-op housing, both of which I support very strongly. Could you tell me where you get the figure?

Mr McIntyre: First of all, let me assure you that is taking out the non-profit housing sector. That is of the private rental sector, and if that is not clear enough, I am sorry. The 37% comes from a study done by the regional municipality, recently published 1986 figures. The close to 10% is an opinion—expert, if you will.

Mrs Y. O'Neill: Okay, I will accept that for the moment. I also have problems with "all tenants have had a reduced quality of life."

Mr McIntyre: That is right.

Mrs Y. O'Neill: You said earlier that you do not do weeping statements about landlords, and I respect that you do not usually do that, and that is why I found that statement rather difficult. Maybe you would like to say more about it.

Mr McIntyre: A reduced quality of life, first of all, would be a variable. For some it would be a little bit, for some it would be a lot. But the reason for that is, if rent goes up higher than income, then, and particularly in terms of relative dollars and particularly in terms of the aging of the apartment, there is a negative connotation to some other aspect of that person's life. It is not necessarily a deliberate, but it is always there because the RRRA builds in a situation where, as long as inflation is where it is, the guideline will be higher than the level of inflation even though our numbers show us that in order to maintain the status quo a landlord needs approximately 50% of the rate of inflation.

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So it is very generous that way. What it means is the building ages, so you have lived in a building 10 years, it is 10 years older, and even with a good, quality management company some of that will show. It will be a little greyer, perhaps, as we all are.

If I could just pick up on a couple of things you said earlier, first of all, as you know, I live in your riding. That is why I started off with those—

Mrs Y. O'Neill: You have an identity and so do I.

Mr McIntyre: Second, you are right in saying that we probably do more work per capita with large buildings than small. We would remind you that some of the other deponents who have talked about some of the particular problems of small buildings, not having the rents registered—there is a mix of players in that field as well.

Mrs Y. O'Neill: Yes, I realize that.

Mr McIntyre: And there are some that I, as an open-minded individual—as, I am sure, are many people here—would want to look at honestly and openly. But I think that you will find there are a lot of players you will not want to be too helpful towards in that—

Mrs Y. O'Neill: I still have trouble and I will not accept the "all tenants," because some tenants in Ottawa-Carleton—and as you know, we have a lower unemployment rate than any other part of this province at the present time. I do feel still that "all tenants have a reduced quality of life" is a little bit—I may go for "some," maybe even edge towards "most," but "all" is a bit much. Because we do have some people in this community with a very stable income that is growing.

Mr McIntyre: But if their income is growing, should not their quality of life?

Mrs Y. O'Neill: Yes, and it is.

Mr McIntyre: It is not meant to be sweeping in the sense of saying that it is a drastic reduction for some. It is a variable.

Mrs Y. O'Neill: Okay, let's leave that.

I have a little trouble, too, when you talk about how you are paying for people who have made a bad investment. No matter what you buy, whether it be your telephone, whether it be a product in the store, every investment is a corporation or some conglomerate, and we pay for those investments. Some of them are registered on the stock market, some of them are in buildings. So I think that no matter what we do—I mean, rent is a commodity. It is also a right. Housing is a right.

We have to have investments, because that is what makes the world go round. Many people in this province do not have pensions, and many people who came before us this afternoon, some of whom have been criticized—and I feel their sincerity is definitely genuine—and they do have a right to have an investment that they chose. It may not be the investment you or I would choose, but it is their choice. It is true that the tenants will pay for some of that, the same as they will pay for their toothpaste if that stock goes up.

Mr McIntyre: The problem is that what the RRRA seeks to do is guarantee that investment, and no other investment I can think of is guaranteed. I played around a little bit with a few stocks. They were worth \$16 a share about four years ago and they dropped to \$8 and I got rid of them at \$10. I know what it is like to lose money. It happens.

Mrs Y. O'Neill: We all do make those—

Mr McIntyre: There are all sorts of businesses that are going bankrupt in other fields. We do not make the

consumer bail out those businesses. Some people win and some people lose in a capitalist system, and I honestly hope that most people win, but if they do not, then that is—

[Interruption]

The Chair: Order, please. I need everybody's help to run an orderly committee meeting. I repeat, this is an extension of the Legislature. I cautioned our visitors this afternoon twice, and if we start conducting these meetings in a disorderly fashion, then we will not be able to do the job for you that you want us to do. So you have to help me help the committee. Thank you.

Mrs Y. O'Neill: Mr McIntyre, thank you very much for an exchange. It is the usual kind of exchange we have and I am very pleased that you are going to be very keen on examining the paper on Monday morning, as will I, and I hope we can continue to work together.

Mr Brown would like to ask you a few questions.

The Chair: Mr Brown has one minute.

Mr Brown: Thank you, Mr Chairman, I think. Mr McIntyre, you seem extremely knowledgeable in the Ottawa-Carleton rental market. I wonder if you could tell me how many additional units have come on stream during the RRRA in the Ottawa-Carleton area. I am not necessarily talking about new buildings but new units.

Mr McIntyre: I could not answer that question professionally. There will be some people here from the city tomorrow who might be able to assist you with that specific question. In a sense, what you are asking me is, "Did the RRRA work?" and the answer is no. But there are a lot of buildings built, as condominiums have gone up, multiple-unit residential buildings and all sorts of things. But I am not sure how much of that has been in the last five years.

Mr Brown: Do you think that Bill 4 will assist the level of maintenance within buildings during its interim time?

Mr McIntyre: In my opinion, as legislation Bill 4 is neutral on that question.

Mr Brown: Do you think that landlords will do just as much as they did before?

Mr McIntyre: I think what you are asking me now is how a group of people will behave. I would hope they will behave responsibly.

Mr Brown: Just so I can be clear, and because I have so much, I am going to jump a little. Picking up on Mr Tilson's point, you do not believe that the private sector will build any more buildings in Ottawa because it costs about \$100,000 a unit. Is that what you told Mr Tilson? Therefore, the public sector will have to take on that role in Ottawa-Carleton?

Mr McIntyre: No, what I am saying, in general terms, is the cost of producing a unit, then putting it on the market and getting a rate of return, it does not matter whether it is the right rate or not, you simply do not have a market. At that rate, people can be buying condos, they can be or renting some of the stuff or they can be looking at the home ownership field. So there is not a great market

with a rate of return. At least when you get into co-operatives and non-profits with government assistance, obviously you are directly addressing some of the questions of affordability. I hope we do not get too deep into that because I—

Mr Brown: No, what I am saying—

The Chair: Thank you, Mr Brown. Mr McIntyre, want to thank you and the Federation of Ottawa-Carleton Tenants Associations for making your presentation this evening and helping the committee in its work.

Mr McIntyre: Thank you, Mr Chair, and we look forward to discussing the discussion paper with you.

The Chair: Certainly.

ACTION-LOGEMENT

The Chair: The next, and last, presenter of the day is Action-Logement and we have allocated 40 minutes for the next presentation, 20 minutes for the presenter and 20 minutes for questions. We would ask the presenters to please identify themselves for the record and whom they represent and take the floor.

M. Morin : Bonsoir. Je me présente : Guy Morin, président d'Action-Logement. À mes côtés il y a Marielle Drouin-Jones, représentante de l'Association des locataires des appartements Evergreen à Vanier, et Anne-Thérèse Bourdon, qui est coordonnatrice, section logement. J'aimerais vous souhaiter la bienvenue à Ottawa.

Le premier point que j'aimerais faire est que Action-Logement appuie la démarche du gouvernement avec la Loi 4, avec sa proposition sur le contrôle des loyers.

Nous sommes une jeune organisation ; nous sommes en opération depuis un peu plus d'un an. Nous sommes encore au stade de recueillir des données et des témoignages sur la question complexe du logement qui nous touche tous dans le quotidien, que nous soyons propriétaires ou locataire. Certains peuvent rêver de pouvoir avoir un logement, de devenir propriétaire, mais pour plusieurs de nos clients c'est souvent un cauchemar. Là je pense aux pensionnés, aux petits salariés, à tous qui ont des revenus fixes ou qui reçoivent des augmentations plus basses que l'augmentation qui est généralement admise par le contrôle des loyers. Ça devient un cauchemar lorsque tu es obligé de payer 40% à 60% de ton revenu pour ton logement, que est quand même un bien essentiel, surtout quand tu sais que ce n'est pas un investissement. Ce n'est qu'une dépense, une nécessité de la vie.

Je suis fier de voir que la Législature ontarienne prend le temps de s'arrêter à cette question primordiale. Je ne peux pas prétendre avoir toutes les solutions tout de suite d'avance —

The Chair: Excuse me, sir. Could we close the doors in the back? We have to be able to hear the presentation because we are going to want to ask questions. Sorry for the interruption.

M. Morin : La question du logement est une question de société ; on doit s'assurer de maintenir un logement abordable et convenable pour toutes les couches de la société. Et certainement on doit développer des mécanismes législatifs pour assurer que les bien moins nantis de notre

ociété ne doivent pas laisser pour compte dans un marché libre ce qui est essentiel pour eux parce qu'eux n'ont pas la liberté, ils n'ont pas la liberté de leur revenus. Ils ont souvent des revenus qui sont très limités et ils sont pris dans le cycle de la pauvreté. Le tunnel est long, et si leur logement continue à leur coûter la majorité de leurs revenus, ils vont certainement être longtemps dans le cycle de la pauvreté. Ils ne verront jamais le bout du tunnel.

Ce sont quelques considérations, peut-être qu'on peut lire plus philosophiques, mais je vais laisser Anne-Thérèse, notre directrice, témoigner un peu plus des témoignages et des différentes données qu'on a pu recueillir au cours de la dernière année.

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Mme Bourdon : Merci, Guy. Bonsoir mesdames, messieurs. Vous excuserez mon état de fatigue, surtout après une journée de travail. Alors, il semblerait qu'il y avait un problème technique. Il est maintenant réparé. Je veux demander votre écoute.

Bien que n'ayant qu'un an d'existence, Action-Logement est déjà en mesure de dégager certaines grandes tendances en matière de logement. Ainsi, avec le profil des clients que nous avons rencontrés, nous constatons qu'un lien existe entre «situation financière» et «problèmes de logement». Mon témoignage est basé sur les observations d'une année d'opération et je déposerai à la fin de mon intervention le premier rapport annuel d'Action-Logement.

Les clients que nous avons rencontrés, pauvres, voire même très pauvres, arrivent mal à payer des coûts de loyer qui grugent une part importante de leur revenu. C'est au nom de ces clients que je m'adresse à vous aujourd'hui.

Vous vivez à Ottawa, Vanier, Gloucester et vos revenus annuels sont inférieurs à 25,000 \$ par année. Pouvez-vous imaginer un instant ce que chercher un logement peut représenter ? Partout où vous vous adresserez, le propriétaire exigera dès le départ le paiement de deux mois de loyer, à savoir le premier et le dernier mois de loyer. La plupart des propriétaires vous poseront plusieurs questions sur votre niveau de solvabilité et si vous vivez de prestations d'aide sociale, souvent on vous refusera le logement. Bien sûr, on ne vous dira pas que c'est parce que vous êtes un assisté social, mais le refus sera le même.

Admettons que vous ayez réussi à vous trouver un logement ; admettons que, de plus, vous aimez votre logement même si payer votre loyer vous occasionne un mal de tête mensuel. Arrive inexorablement le temps où votre propriétaire vous envoie un avis d'augmentation dépassant parfois et même souvent la norme annuelle. Souvent, trop souvent, il vous a promis d'améliorer quelques détails, «bientôt» il fera installer une boîte aux lettres qui ferme à clé, «bientôt» il peindra la cage d'escalier, «bientôt» il remplacera les quelques ampoules électriques brûlées mais hélas, pour beaucoup de locataires ce bientôt n'arrive jamais.

Vous avez l'audace, voire le courage de lui téléphoner tout en ayant une crainte : celle de passer pour un locataire indésirable ou de vous faire jeter dehors. Mais vous passez outre ces craintes et vous l'appellez pour comprendre l'avis de l'augmentation de loyer. Il vous répondra alors que les

taxes ont augmenté et qu'il a le droit d'augmenter les loyers. Bien souvent vous ne comprendrez même pas sa logique. Pire, bien souvent, si vous êtes francophone et que votre propriétaire est anglophone, il vous donnera ses arguments en anglais et vous ne les comprendrez pas ; il y a des francophones à Ottawa. Alors, vous pliez à l'avis de l'augmentation de loyer ou vous cherchez un logement moins cher. Vous aurez alors peut-être le réflexe de faire placer votre nom sur une liste d'attente pour obtenir un logement subventionné, mais on vous informera très rapidement que votre nom figure à la 2352^e place. Que faire ? La question est posée. Je vous pose la question. Nous comptons sur vous pour nous fournir des réponses.

... Action-Logement, organisme sans but lucratif, aimerait que le gouvernement ontarien vienne à la défense des locataires et surtout de ceux et celles qui vivent à la limite du seuil de la pauvreté. En instaurant un meilleur système de révision des loyers, en freinant les augmentations de loyers qui souvent se situent au-dessus de la norme annuelle, en adoptant le projet de loi 4, votre gouvernement, notre gouvernement prouverait qu'il existe une justice sociale en Ontario.

Parce qu'Action-Logement estime que le logement est un droit et non un luxe ; parce qu'Action-Logement dessert des communautés où le taux de locataires est nettement supérieur au taux de propriétaires — je vais parler pour Vanier, c'est là que nous avons notre local ; à Vanier, il y a 30% de propriétaires et 70% de locataires — Action-Logement, au nom de tous ses clients, veut vous remercier pour votre consultation publique et espère que cette consultation influencera équitablement vos décisions futures.

J'aimerais maintenant passer la parole à Marielle Drouin-Jones ; elle travaille pour une association de locataires assez active à Vanier et Marielle va vous faire part de son témoignage.

Mme Drouin-Jones : Je représente une association que nous avons créée il y a deux ans pour les locataires des appartements Evergreen de la rue Blake. Mon plus fort de moi-même a voulu pousser cette chose-là parce que ce que j'ai vu était déplorable.

Quand j'ai eu mon appartement il y a cinq ans, je savais en quoi je rentrais, mais j'ai voulu me l'arranger. Alors, j'ai déposé de l'argent pour le réparer : le plâtre, la plomberie etc. Mon frère m'a aidée et j'ai payé quelqu'un parce qu'il fallait que je vive quelque part. Donc, s'il faut que je vive quelque part, il faut que tous vivent quelque part et non pas dans la rue.

J'ai plaidé cette cause, je l'ai apportée — excusez-moi, je ne parle pas suffisamment français — au Rent Review Hearings Board. Le propriétaire a fait une demande pour monter les loyers de 22% à 31% et il a gagné sa cause. Dan McIntyre nous a représentés. Il y a en a qui ont été très fâchés parce que, après six mois, il avait le droit de monter le loyer, maintenant à 17,4% et en plus, avec le loyer maximal qui monte 8% de plus, de 5,2% de cette année.

En déposant ma cause à cette association, au ministre du Logement et au low-rise rehabilitation program, j'ai envoyé ces choses-là aux quatre dès le début parce que je

voyais que l'action était urgente. J'essayais de pousser autant que possible pour aider ces gens.

En même temps, je suis très sympathique envers mon propriétaire parce que souvent il m'a demandé quoi faire, qu'est-ce qu'on peut faire avec ceci et qu'est-ce qu'on peut faire avec cela ? Nous nous sommes parlés et je lui avais suggéré : «Arrange la toiture, pose des nouvelles fenêtres. Tu vas sauver un peu de chauffage». Dieu merci, il l'a fait un peu. Il va un peu se sauver de l'argent.

Mais en plus de ça, en déposant cette cause j'ai demandé de la protection parce que premièrement, là où nous sommes il y a des trous dans les murs. Les personnes vivent là quand même. Tu peux voir les tuyaux de plomberie dans certains appartements. J'ai pris des photos. L'électricité est fautive, certaines places dans certains appartements que j'ai touchées on touche le poêle, on prend un choc chaque fois.

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Toutes ces petites choses, j'en ai fait une sorte d'étude. Premièrement, j'ai fait une page, je les ai déposés aux 77 unités et leur ai demandé : «S'il-vous-plaît, donnez-moi la permission de vous représenter. Vous n'avez pas besoin de me payer, c'est parce que je veux que ça aille mieux, parce que c'est un beau building qu'il était autrefois. Il peut revenir à quelque chose de beau, très beau». C'est le Colonel By qui avait bâti tous ses appartements et c'est un beau petit chez-soi, c'est tout proche et moi j'aime la petite communauté de Vanier.

J'ai fait une analyse de planchers, de murs, de poêles et de réfrigérateurs, de l'électricité, du chauffage et de la plomberie. Dans tout ça, dans les 24 qui m'ont répondu sur 77, il y a 85% des planchers qui ont besoin d'être réparés. Le chauffage, il y avait 33%. Je me souviens, je suis allée dans 2 appartements au mois de décembre et en janvier, que les personnes n'avaient aucun chauffage à la maison et puis je leur ai montré comment avoir du chauffage. Je ne nomme pas de personnes.

Le propriétaire m'a envoyé une lettre disant de me mêler de mes affaires, alors Dieu merci, au moins il y avait ce chauffage-là. Je leur ai écrit une lettre et je leur ai dit d'aller à Vanier à l'inspecteur, de manquer une journée d'ouvrage. Je sais que c'est très important parce que cette personne-là donnait 80% de son salaire pour le loyer. Je dis s'il-vous-plaît, ça vaut la peine, manque ta journée d'ouvrage ou demande quelqu'un pour te remplacer pour faire entrer l'inspecteur. Ils y en a qui l'ont fait, ils y en a qui n'ont pas pu le faire. Moi, je suis restée trois jours chez moi sans ouvrage pour attendre que l'inspecteur de Vanier vienne. Il s'est aperçu qu'il avait beaucoup de choses qui étaient mal, et le lendemain le propriétaire avec ses réparateurs était là.

Alors, je l'ai fait comme ça, c'est parce que je suis assez forte pour pousser ces choses-là. Continuant, pour les poêles et réfrigérateurs, il y a beaucoup de personnes, des mères avec leurs enfants qui furent obligés d'acheter des réfrigérateurs. Aujourd'hui un réfrigérateur est vraiment exceptionnellement coûteux. Les réfrigérateurs ne fonctionnaient pas, toute la nourriture était gâtée. Dans ma tête j'ai pensée, mon Dieu Seigneur, quand je travaillais à

CAC à Montréal il y avait une assurance qui, si les réfrigérateurs ne fonctionnaient pas, couvrait toute la nourriture.

Alors j'ai dit, quoi faire ? Ensuite, j'ai dit, tiens, je va faire ça. Dans la plomberie, c'est défectueux complètement. Je me souviens que dans mon appartement — moi c'était le sous-sol — entre le mur entre la cuisine et la chambre de bains, c'était le Niagara Falls qui descendait. Maintenant, à cause de ça dans ma chambre à coucher toute la peinture se détache du mur ; je touche le mur et j'en peux pousser comme ça.

Moi ça m'est égal, les autres ça me concerne. Il y a un monsieur dont franchement la situation est déplorable parce que c'est un homme qui est handicapé, il est sourd et muet, il a eu une opération à cœur ouvert et puis maintenant il vit là. Ce qui est arrivé, les gens qui vivaient là, il y avait beaucoup de locataires qui n'étaient pas très bons. Ils sont partis mais ils sont revenus. Ils ont brisé les fenêtres. Le propriétaire a fait poser des planches au lieu des fenêtres. Les poignées de portes, il n'y en avait pas et n'ont jamais été posées.

Ce pauvre homme a un bâton de deux pouces carré qui tient la porte et le mur pour que personne n'entre la nuit. Imaginez-vous cette personne qui est déjà handicapée qui ne sait pas comment communiquer avec le monde qui arrive avec une affaire comme ça. J'ai pu communiquer de cette façon : sur sa porte est écrit, «Sonne la clochette», et j'ai tapé du pied à terre. Il pouvait ressentir le vrombissement et par la porte il pouvait entendre certains sons. Je comprends ça, c'est à cause des ossements du crâne qu'ils ne peuvent comprendre ça. Ils ont une sensibilité extraordinaire ces personnes-là.

En plus de ça c'est le dépotoir : en été le dépotoir est supposé d'être approuvé par la ville de Vanier — les mouches noires et les rats. Un soir j'ai ouvert la porte et il y a eu une bibite qui m'est sautée dans le visage et j'en ai eu une frayeur.

En plus de ça, notre surintendant, c'est un très bon surintendant. Le propriétaire l'a supposément congédié. Il m'a demandé d'être sa gérante. Je lui ai dit, qu'est-ce que tu as fait avec une affaire comme ça, cet homme a du cœur et il prend soin de nous, il prend soin de tes affaires. Va le chercher. Oh, il est comme ci, il est comme ça, c'est un Canadien français, il ne sait pas parler l'anglais. J'ai dit, monsieur, ça c'est de la discrimination. Il s'est excusé. Donc, j'ai dit, reprend cet homme-là, donne-lui ce qu'il demande et je te garantis qu'en un an tu vas avoir des résultats et tu seras un peu plus satisfait que tu l'es maintenant. Mais il dit : «Il demande trop cher». J'ai dit, combien tu payes ? Il m'a dit : «Tant». Alors j'ai dit, tiens, tiens, je vais m'arranger d'une autre façon. Je lui ai dit, veux-tu que je sois ta gérante ? Il dit : «Certainement, alors je te fais une proposition». Comment tu paies ? Qu'est-ce que c'est les choses ?

Il me donnait tant d'argent comme 2000 \$ par mois mais il fallait que je paie tout. Finalement, quand j'ai tout calculé il n'avait rien qui restait. J'ai dit, oh une minute là ça sert à rien d'enrichir un riche par nos propres moyens quand rien ne nous revient en retour. Parce que aujourd'hui le monde est assez intelligent pour savoir que si tu

veux quelque chose, au moins il faut que tu aies le courage d'en demander ce qui t'appartient.

Mais pour ce monsieur qui est malade, je lui promis de l'aider. Ce soir il ne pouvait pas venir parce que quelqu'un avait stationné dans son stationnement et puis il a poussé l'auto. Cet homme travaille de six heures le matin à six heures le soir. Je lui ai expliqué qu'il pouvait avoir une pension d'invalidité par le ministère des Affaires communautaires, c'est à part du logement. J'ai dit, je vais t'aider, n'aie pas peur ou quoi que se soit. Finalement, mon propriétaire m'a écrit une lettre disant qu'il a fait ci, il a fait ça. Je suis très contente qu'il m'a répondu. Je lui ai répondu. Pardon ?

The Chair: You have one minute left, madam.

Ms Drouin-Jones: One minute left?

The Chair: Yes.

Ms Drouin-Jones: Very well. I have a representation here, but I have made some recommendations, and if you do not mind, please, I recommend that the old customs of my younger days be reinstated:

1. Firemen check in the springtime for fire hazards in every home; I remember that.

2. Policemen on the beat at nightfall check every block in the community that children be off the street. I was beaten up by young punks around my place. My fingers were broken in that.

3. That fine bureaucratic line between municipalities and provinces be thoroughly and satisfactorily investigated.

4. That building inspectors stop the blind eye and do their jobs responsibly, ensuring that any irregularities and complaints be put in the order and forced.

5. That where tenants have paid the increased rents and repairs have not been done, which is a fact in this case, reimbursement be given to them somehow.

6. That only 1.5% be given for a yearly increases in guidelines. The rest is gravy.

7. Where in the past tenants have been paying 80% of their total income to rent, that be rebated to a standard average of 25%, funded by provincial and federal governments.

I recommend that we have a system built by the city to acquire rent geared to income and availability to rent and buy and be responsible for that unit. This system has functioned in England with the council houses and it is functioning in the province of New Brunswick.

Are we all so complacent as to let time slip out of our hands, and shall we wait till the future of our children is jeopardized?

I recommend that, due to the high cost of housing, a rebate would be given by the city taxes to new owners having less than 25% in income level as regarding the council house.

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The world is becoming so small and our resources so carefully scrutinized, let it be that investors would adopt the farmers' attitude of not wanting more than what a crop can yield. I recommend that the rent review system carefully screen applicants for rent increases and be aware of

dispositions, ambitions and culture shocks. In a city such as Ottawa, many come to work and the excuse that tenants are transient is a myth. If people are comfortable in their lodgings and close to their work, there will be no loss for landlords.

M. Drainville : Merci pour votre présentation et je vais essayer de parler français. Mon français n'est pas bien mais je vais essayer quand même. D'abord, avez-vous une copie de votre présentation, madame ?

Mme Drouin-Jones : Ce soir ? Oui, j'en ai une.

M. Drainville : Si vous êtes capable de la donner au comité, j'aimerais bien ça.

Mme Drouin-Jones : Si vous voulez, en plus de ça donnez-moi l'adresse où je peux tout vous envoyer le paquet des plaintes et tout ce que j'ai présenté jusqu'à présent.

M. Drainville : Oui, vous pouvez faire comme ça. Merci. On a parlé avec beaucoup de propriétaires aujourd'hui et les propriétaires ont dit au comité que le problème ce n'est pas parce que le logement coûte beaucoup d'argent, mais parce qu'il y a trop de pauvreté dans notre société.

Le problème est un problème pour le gouvernement, ce n'est pas un problème pour le propriétaire. Des propriétaires disent aussi que le gouvernement peut payer des «subsidies». Ce n'est pas ça le mot en français.

Mme Drouin-Jones : Ce sont des subventions.

M. Drainville : Oui, des subventions pour donner de l'aide. Je veux vous demander si c'est une bonne idée ou si ce n'est pas bon à accepter ?

Mme Drouin-Jones : Dans mon discours je n'ai pas pu expliquer parce que j'ai peu de temps, et je vous remercie quand même. J'explique la culture de pauvreté, j'explique la bienséance des pauvres qui tiennent ensemble. Vous allez chez un pauvre et il va vous donner un verre d'eau en entrant. Mais dès qu'une personne peut économiser un peu d'argent et monter un peu, ce sont les strata de la culture, de la société.

Ils vont se tenir de côté parce qu'ils ont peur de retomber dans ce même trou. C'est très difficile de monter de la pauvreté au niveau de ce qu'on appelle «low-middle income to higher» jusqu'à ce qu'on peut être assez confortable. Dans cette affaire-là, c'est une destitution et les personnes ont peur et c'est une paranoïa.

M. Drainville : Je veux poser une question. Est-ce un problème juste pour le gouvernement, donner une subvention pour les pauvres, ou est-ce un problème aussi pour les propriétaires ?

Mme Drouin-Jones : À mon avis la pauvreté, nous l'avons créée nous-mêmes, parce que les pauvres n'ont pas besoin des riches, mais les riches ont besoin des pauvres. À mon avis, ce que j'avais fait ici dans ce discours c'est ce que madame fait avec Action-Logement, ce que M. McIntyre fait qui instruit le public peu à peu, au moins que ça lui rende un peu ; et finalement, plus de communication, plus d'aide, alors il va y avoir le ministère des Services sociaux et communautaires, il va y avoir le ministère de l'Éducation et je ne veux pas dire seulement dans l'école,

je veux dire de l'éducation publique continue jusqu'au temps où ce soit comme une pluie et que finalement nous soyons vraiment rassasiés, la communication de ça.

Inconsciemment, les riches veulent garder les pauvres dans un état d'ignorance et le morale est très bas. On n'a pas besoin de ça ici au Canada. C'est un beau pays qu'on a ici et on a bien de la place pour tout le monde. Seigneur, on en rentre, des nouveaux Canadiens. Alors c'est une fausse excuse et il faut que l'attitude soit changée.

Un propriétaire peut-être là, admettons que quelqu'un — je ne veux pas prendre celui-là qui est pauvre parce que sa culture est ci, est ça. Mais si les pauvres vivent ensemble avec les moins pauvres et un peu plus riches, ça fait une communauté où on voit comment sont les choses, comme les personnes qui sont handicapées.

Mme Bourdon : J'aurais voulu aussi répondre à monsieur. Je pense qu'il y a sûrement des changements qui devraient s'opérer au niveau législatif. Si je regarde, les propriétaires ont effectivement le droit de demander le premier et le dernier mois de loyer ; c'est sûr que ça leur garantit le paiement du dernier mois. Par contre, dans la loi il n'y a rien qui les oblige à accepter une lettre de garantie de l'aide sociale. C'est là que nous rencontrons vraiment des problèmes.

Mme Drouin-Jones : Est-ce que je peux vous dire quelque chose en plus de ça ?

M. Drainville : Je pense que M. Wilson veut poser une autre question.

Mr G. Wilson : I was wondering whether you get the co-operation of the authorities in the problems you have with landlords and whether you can say something about that.

Ms Drouin-Jones : Which authorities are you speaking of, sir?

Mr G. Wilson : The municipal and provincial authorities where it comes—

Ms Drouin-Jones : I think I have had some misleading phone calls but I finally got face to face with the minister. I know how to reach Queens' Park, the problems that I am getting at the moment are mostly with the city of Vanier. I am sorry to say this, but it is mostly with the inspection department of the city of Vanier and the low-rise rehabilitation program.

In the letter that the minister has sent me, there is a promise there that things have been done. Somebody is saying it is not there, and somebody is, so that is file 13 to me in the bureaucratic system. "Don't say too much or else you will lose your job." You know, there is a largesse of conscience there, but otherwise, up to now I am very grateful that I have finally succeeded with 24 out of 77 to put their confidence in me. And believe you me, they are not treating me well all the time.

Mrs Y. O'Neill : Thank you, Ms Drouin-Jones. I have some difficulty with some of the things you have said because, as you know, as members of the Legislature, we are protected with immunity and you are not. Particularly now you have just made some pretty strong accusations and pointed very directly to one department in the city of

Vanier. I think that your member, Mr Grandmaître, has made us very aware at Queen's Park of a lot of problems in housing in the city. I do think there are some difficulties and they are not just confined to Vanier, in municipal and provincial co-operation.

I am very pleased that you brought that forward—no many witnesses have—because we do have a Residential Rental Standards Board and it should be protection against the intolerable conditions that you have brought forward tonight. There is nobody in this province who should be living in the conditions you described and I am very glad that you are going to present your remarks to us. I hope also you will present your recommendations, because I think some of them are very good and creative and to the point.

I do feel that housing is a very complex issue. The pressures in Vanier are very different than in the city of Ottawa, and you know that.

Ms Drouin-Jones : That is right.

Mrs Y. O'Neill : I do feel that the Ministry of Housing has tried to educate people throughout the years. It is a very difficult job, though, because every landlord-tenant relationship is unique, and I do commend you for the things you have done and the leadership you have taken. I would suggest you continue to pursue those and to get all of those, and us, who can help you to do that, because I do think that we will never solve the housing problems in this province without partnerships: partnerships with tenants and landlords and partnerships between provincial and municipal governments, one that you have highlighted very strongly.

So I do feel that you have brought forward human rights issues. It is a very complex situation that you have brought forward—employment equity, a lot of things. You are tackling them and I hope you will continue to get support and bring your problems forward to those people who can truly help you. And do not forget your MPPs when you are doing that.

Ms Drouin-Jones : Thank you, madam. I forgot there is one recommendation that I have asked for. The corporate standards board in Toronto is excellent. I recommend that their standards—no minimum, no middle—be the one across Ontario. This is what I want for all. And if the municipalities cannot accept that, well they better get somebody else who can do the job. This is how I feel about it. I am sorry, but I have seen too much of poverty—

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Mrs Y. O'Neill : You write those recommendations down and I am sure they will be given very due consideration by the members of this committee. Hopefully you will bring them forward very quickly.

Ms Drouin-Jones : Thank you very much. I appreciate this.

M. Tilson : Bonsoir.

Mme Drouin-Jones : Bonsoir, monsieur.

Mr Tilson : Where I come from, very few people speak French, and those who do don't.

Ms Drouin-Jones : Don't feel bad.

Mr Tilson: I have attempted at Queen's Park to take French lessons and last week my French teacher laughed at me.

Ms Drouin-Jones: Oh, that is too bad.

Mr Tilson: I am trying, but I am not ready yet to speak to you in French and so you will have to put up with my English.

I sympathize with the comments that you have made, and obviously it is called war on poverty.

Ms Drouin-Jones: It is.

Mr Tilson: It is as simple as that, and it goes far beyond the housing issue. It is food, clothing, unemployment, and it is a vast problem. It involves municipal, provincial and federal governments that are going to have to deal with this overall problem, and I think it is admirable of you to appear before this committee, because it certainly affects housing.

I do not think that Bill 4 is going to solve your problem, because the people you represent cannot afford any increases. They cannot afford the 4.5%, they cannot afford the 5.4% increases, and of course on top of that there will be an allowance for additional items, such as increases in taxes and increases in hydro. I think that is something that this government is going to have to deal with. The provincial government is going to have to deal with the very issue that you are hereabout, a war on poverty.

I am concerned about the conditions that you have described as to what the people you represent are living under, and I think you have come to the crunch of it. Obviously, we do have a Residential Rental Standards Board that will deal with some of the issues, but hopefully our municipal government will deal with the problem as well. If they do not have property standards bylaws, they should, and if they are not enforcing them, they should. There is something coming up this fall called the municipal election, and you may have to be taking your war on poverty to the municipal field as well. I do not think that we have any immediate answers to the problems that you have raised, other than the fact that I am sure the government will be introducing legislation to assist you.

Ms Drouin-Jones: Sir, believe me, the amount of rent that people are paying at the moment I believe is fair. I am for the landlord as much as I am for the tenant. Right now, these people want their homes and this is a psychological trick. They want their homes and they are fighting. If they have enough guts, like, you know, something to work on, they are working to keep their homes and they say, "Oh, darn it, I'm so fed up working like that, I'm going to get an education." It is an incentive for them, and keep it that way. Do not bring the rent down to a very low minimum. The poor will never get out of it. They have to come out on their own and they are doing it because they want to live there.

M. Morin : Monsieur Tilson, c'est certain que lorsqu'on parle du logement, on va aborder la question de pauvreté. Les pauvres ne peuvent pas se payer de logement ; ils paient le logement de ceux qui peuvent être propriétaires du logement. Lorsqu'on paie un loyer, on paie les taxes, on paie souvent aussi le chauffage et puis c'est souvent une grosse partie de notre revenu. Si on fait 25 000 \$ et on paie 12 000 \$ de loyer, il nous en reste 12 000 \$ pour vivre.

Pour revenir à la question de M. Drainville tout à l'heure, lorsqu'il demandait si le gouvernement est le seul corps qui peut résoudre la question du logement : je ne crois pas qu'il soit le seul. Je crois qu'il y a toute la question de coopération, comme le mentionnait M^{me} O'Neill, qui devrait exister entre les différents intervenants.

Mais la question de logement est toujours une pierre angulaire dans la guerre contre la pauvreté. Si notre témoignage ce soir semblait être plutôt un témoignage vers la pauvreté c'est que pour les pauvres, lorsqu'ils arrivent sur la question de logement, c'est souvent la question primordiale : est-ce que je vais être capable de payer mon loyer à la fin du mois ?

The Chair: That about takes up the time of the committee for the day. I want to thank our presenters for their information that they have left the committee. I appreciate you taking the time to join us this evening. The standing committee on general government is adjourned until tomorrow morning at 9 am.

The committee adjourned at 2136.

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Residential Rent Regulation
Amendment Act, 1990

Assemblée législative de l'Ontario

Première session, 35^e législature

Journal des débats (Hansard)

Le vendredi 15 février 1991

Comité permanent des affaires gouvernementales

Loi de 1990 modifiant
la réglementation des loyers
d'habitation

Chair: Remo Mancini
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

Friday 15 February 1991

The committee met at 0912 in the Westin Hotel, Ottawa.

RESIDENTIAL RENT REGULATION AMENDMENT ACT, 1990

Resuming consideration of Bill 4, An Act to amend the Residential Rent Regulation Act, 1986.

The Chair: This is the standing committee on general government. We are continuing with our public hearings in regard to An Act to amend the Residential Rent Regulation Act, 1986. We are having public hearings on Bill 4.

FRANK MACMILLAN

The Chair: The first presenter was unable to be with us this morning, so we are moving right along to hear Frank MacMillan. Sir, if you would please identify yourself and whom you are representing, the committee has allotted you 20 minutes for your presentation, 10 minutes for an oral presentation to be followed by 10 minutes of questions.

Mr MacMillan: First of all, on the question of who I represent, I represent myself and only myself. I do not represent any vested-interest group at all. I simply represent myself. I am a small landlord. I have a three-unit apartment building in the city of Ottawa. I am also a lawyer acting in a general practice which includes real estate. I do not represent any large developers at all. I would like to speak personally this morning.

In that context, I would like to say I do not know what kind of neighbourhood you grew up in, but I would like to tell you about mine, because I still live in that neighbourhood.

In 1948 my parents bought and moved into a large four-unit apartment building in what is now the more central part of this city. It is called the Glebe and it is about a 12-minute drive from this location by car. The building was originally a double, what we now call a semi-detached, and had been changed into a four-unit apartment building in the 1930s. It is a neighbourhood of tree-lined streets and a mixed bag of small to medium to large houses of various constructions and of various types. These buildings were built primarily in the 1910s and the 1920s, with very little new construction in this area.

At the time my parents moved into it, it was a reasonably good address. My parents had lived in the Glebe for much of their lives as well and were moving to a new location within that neighbourhood. We lived there, my family and I, in one of the apartments throughout most of my life. In the 1950s and 1960s, as you know, it was common that most people were looking to move to the suburbs and there was a movement out of neighbourhoods such as the one in which I lived. Older neighbourhoods became unpopular. Many of the large, old places were

converted to apartment buildings and to flats for students, young marrieds, etc. In some cases, with the declining desirability of these properties, the conversions were done cheaply.

This was not the case in my building. It was done reasonably well, having been done in the 1930s at a time when people put some value on properties such as these. With the age of these houses in the 1950s and 1960s—they were then 40 years old—they were deteriorating, with rotting porches and deteriorating plumbing, as these properties do. My parents were thinking many times to move out of the neighbourhood and to follow the trend, but could never quite bring themselves to do it. They remained in the neighbourhood, they maintained their property, they had good relationships with their tenants, and in many cases their tenants became their friends. In one such case, three elderly ladies who rented one of these apartments lived there for 37 years, until two of them passed on and the third one moved into an old age home.

In the mid-1970s, while I was still in school, both my parents passed on and I moved back into the apartment building for a short period of time. I maintained the building in accordance with the same standards. I increased the rents at regular intervals in accordance with the rent controls. I kept the building up.

In the very early 1980s, I was married. I started to have a family. I moved out of the apartments. The accommodation I was in was too small to raise children. My wife was also raised in the Glebe. After a few years we decided we wanted to move and were looking around for some place to buy or to move into. We decided to look at renovating the apartment building we lived in because it was easy to renovate, having originally been really two single homes attached and then duplexed on each side. The best advice we got was to renovate one side to become a single-family home again, leaving the other side temporarily as a duplex, and then as the market increased we could sell off that side as we wanted, changing it back into a single-family. We decided not to do that, or perhaps I decided not to do that, convincing my wife that living in an apartment building would not really be so bad.

Part of what probably convinced my wife to do that was that a good friend of hers, who was a single mom and wanted to live in the Glebe as well—wanted to live near us, I suppose—rented one of those apartments at a reasonable market rent, a market rent that she could afford. We continued to rent it on that basis. She lived there for a period of approximately five years. Again, the other apartment changed hands, as apartments do, with each tenant living there about one and a half, maybe two years. In most cases, my experiences with my tenants were good, but not always. One tenant trashed the place, unfortunately. I had to

ask them to leave. So my rental experience was generally pretty good.

At the end of this five years, after we had been living in the building and had spent in excess of \$100,000 renovating our unit, what we did was we took the two smaller apartment units on the ground floor. We converted it into a five-bedroom home with an addition on the back. We spent a good deal of money. We maintained the building as you would want your building to be maintained if you were living in an apartment building. But even though we did maintain the building, eventually the apartment in which my wife's friend was living, because she had lived there for such an extended period of time, it was really time to do some serious renovations to it. There was also an old set of sun porches at the back that were deteriorating and they needed to be repaired.

She advised us in January of 1989 that she wanted to move out, that she and her boyfriend, who was now living with her, wanted to move out and they had found a new place to live, and gave us, incidentally, short notice about it. I was caught kind of short and I can tell you I was a little miffed about having to find someone to renovate the building on such short notice.

I should also say that my other tenant, who had moved in approximately two years prior to that point, I had told her at the time—told them, a couple, that I would be renovating part of their unit because of the sun porch situation, which needed repairs. That was entirely to their satisfaction. I told them at that time that I would pass this cost on to them. They were quite happy.

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See, my building is a special building, in the sense that—well, special to me, I suppose, but it is well kept, it is well maintained, it is a very attractive-looking place to live. And the rents were far below the market rents one would normally expect to purchase this type of accommodation at. So they were quite content with that and they understood that I would do that at some time.

When my wife's friends moved out, we commenced the renovations. We spent \$30,000 renovating. None of it was frivolous. They were renovations that were needed to maintain the quality of that building. This neighbourhood I live in is an old neighbourhood, and old buildings come to points where they simply need a lot of renovation. You have to spend some time on them. Now, you can do it cheaply, which I could have done. I could have done the bare minimum and rented it. I would have had no trouble renting the place. I do not even have to put an ad in the paper. People will come and rent my apartments. But I wanted to maintain the standards that I have always maintained. So I did that. I spent \$30,000, split roughly 25% on the unit that the tenants were still living in, which had been renovated periodically throughout the years. On the other one, which needed more renovations, I spent the balance, some \$22,000, or whatever the difference is.

I then rented that apartment, at an agreed rent with a new tenant, on the understanding that the rent would be increased consistent with what was approved under the then existing rent control legislation when the application was made. We estimated what that rent would be. We en-

tered into a lease entirely satisfactory to my tenant. With the other tenant, we sat down and negotiated. I negotiated a lesser rent with her, because I thought it fair. I had not spent as much on her unit; it did not require it. Also, since they had been there for some period of time, we felt that it would be more appropriate not to increase it and jump it such a considerable amount. In truth, they did not have the same type of income as the new person who was moving into the building.

I guess the rest is history. During the period of process that I had brought my rent application, Bill 4 was introduced and I lost, although I had entered into agreements with my tenants, my tenants were satisfied with the rents that I had set, the rents were not out of line with the market, the building needed the renovations and I maintained a high standard of quality accommodation for these people. In other words, no one was being hurt by this, by my arrangement, and the building was being maintained and so on. I repeat myself.

I was cheated out of this \$30,000 with no way to recover. The cost to me, on a monthly basis, is approximately \$312 per month, which, I think, comes to about \$4,000 approximately per year that I have to pay out of my pocket, that I cannot recover. Obviously I am pretty upset about that.

In my role as a lawyer, about the same time, almost exactly the same time—

The Chair: You have about one minute left, sir, for your presentation.

Mr MacMillan: All right, quickly, a client came to me and wanted to buy an apartment building in the east end of the city. The apartment building was \$141,000. It was a losing proposition based on current rents of \$178 per month. My client was prepared to absorb that and buy the building. It needed \$25,000 of renovations urgently, because the foundation was deteriorating. The current owner was also an occupant of the building, was an older gentleman, had been trying to repair it himself. He was of modest income. He took a heart attack during the process of trying to do the renovations. He lived in it for another year. The foundation was deteriorating further. He could not afford to do it. He had to sell the building.

My client wanted to buy the building. He entered into an agreement of purchase and sale. When I told him he could not recover any of the \$25,000 needed for urgent repairs—and we are talking about the foundation here; he had an appraisal of the property and he had a construction report with respect to buying it. I said, "Sorry, you can't recover that." He took advantage of a clause in the agreement that permitted him to walk away from the building. That building is still on the market today, it is still deteriorating and there is no way anybody in his right mind is going to buy it at its current price.

The Chair: We have to move to questions. Thank you, sir.

Mr MacMillan: Lest you think—

The Chair: Mr MacMillan, we have to move to questions. I have given you three minutes over your stated time.

Mr MacMillan: All right, but I can finish my point in one line.

The Chair: I cannot, sir.

Mr MacMillan: Somebody please ask me to finish my point.

The Chair: Mr Brown.

Mr Brown: I will ask you.

Mr MacMillan: All right. The bottom line was, lest you think that this guy was gouging, that the vendor was gouging or trying to sell the building at more than its value, let me tell you something: This man was elderly, this was his life savings and he would have realized \$16,000 net out of the sale of this building. Now he is stuck with it, the building is deteriorating, nobody will buy it.

Mr Brown: I do have some questions. What were the rents and what would have been the rents if things had proceeded?

Mr MacMillan: For me?

Mr Brown: For the units, yes, your units.

Mr MacMillan: All right. My rents were set, for the two units, at \$628.67. With the statutory increase it became \$662.62. My proposed increase—which was permitted, as I understood it, interpreting the then-existing legislation—would be \$950 per month. I did not know whether I was going to get that. I would have been prepared to accept less than that. But we set it with my tenant at \$950 on the understanding that I would not increase it the second year—this was in the leasehold arrangement—and that the rent would be set at whatever the statutorily agreed amount was.

I want to tell you, these apartments are two-bedroom apartments, living room, dining room, kitchen, front sun porch, back sun porch, fireplace, hardwood floors. They are luxury accommodation.

The other apartment was \$770.09, for a better-quality apartment at the time of renovation, which is now \$811.67 under the statutory increase and which was agreed to at \$870 per month. That was the agreed increase with my tenant. Both of those increases were quite satisfactory to the tenants. In other words, it was not, "It's an old lady in the building and we're going to jack her rent up." It is nothing like that.

Mr Brown: Had you actually made application through the RRRRA?

Mr MacMillan: The rent review act?

Mr Brown: Yes.

Mr MacMillan: Oh, yes. I made the application on—I forget. It was some time in September, late September, or the very beginning of October, just before the bill came.

Mr Brown: Definitely the real problem is the retroactivity.

Mr MacMillan: Oh, I am nailed to the wall, yes.

Mr J. Wilson: Thank you, Mr MacMillan, for your presentation. Your presentation today is, if I may say, typical of what we have been hearing from landlords appearing before this committee. Yet we have the NDP and some of the large tenant groups saying to us that over the years

you should have made enough money in your building to then pay these capital costs when they occur and that there should not be an emergency that suddenly comes up that requires you to have, as the government puts it, an exorbitant rent increase. What are your comments on that?

Mr MacMillan: To start with, throughout the period that my parents and I have owned this building, over 40 years, we have maintained the building to the highest standards. But things come to a point when you own an older building—this building is almost 80 years old now—where old sun porches and things like that simply have to be redone.

First of all, I just looked at my most recent tax statements. This year I will lose \$5,000 on the building, last year I lost \$1,000 on the building, the year before that I lost \$2,000 on the building, and the year before that I made \$1,468 on the building, over the period of time that I have done it. Most years, if I go back, it has been more or less a break-even situation, which is satisfactory. So if there are any savings, my savings are in the increased equity of my building.

Mr J. Wilson: Well, in fact Dan McIntyre, who appeared before us last night, would argue that not only are there savings but they are compounding, totally neglecting the fact that each year landlords are paying out to upkeep their building. He left the impression with this committee that it sits in a bank account and it accumulates; it compounds on its own.

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Mr MacMillan: No. I mean, my parents got into buying a building because that was their savings. That was their pension or their way of accumulating a nest egg for their old age. That is a fact. I did it on the same basis.

I think what you are asking me is, "Is it fair to pass on the costs of your improvements to the consumer, to the tenant?"

Mr J. Wilson: Yes.

Mr MacMillan: I think it is.

Mr J. Wilson: Because that goes to the basis of the NDP's opposition to landlords.

The Chair: Excuse me. Gary Wilson.

Mr G. Wilson: Thanks, Mr Mancini. And in spite of what my colleague Jim Wilson says, the story from landlords is not the same, partly because, unlike you, some landlords own thousands of units. So there is quite a difference there.

Mr MacMillan: That is true. And I think that people like me should be encouraged, and they are not encouraged under the current system. I think that the small landlord is treated the same as the big landlord, and I cannot afford to accumulate large masses of money to do renovations. Where my money comes to do my renovations is by putting a mortgage on the property.

I am like you. I am not rich. I do not have large amounts of money. I cannot form capital in some way to do it. And if I am forced to do what you are proposing, what I understand my friend is saying and proposing, I am not going to be in the business. I do not like to regard it as

a business. I just cannot afford to be a landlord and I am not going to be a landlord. I will sell my building. I will buy a house. I will let my house be my source of savings, which, as you know, is entirely exempt from capital gains tax.

Mr G. Wilson: But at the same time, Mr MacMillan, you have the one building and you have had it for a long time, so you are well aware, unlike a lot of landlords—and I want to say I commend you and your parents for wanting to keep that building and to stay in the neighbourhood with which you had a long association—you have much more familiarity, say, than landlords who have thousands of units. They would not know necessarily what shape the buildings are in.

Then I think you said that you went with the allowed ceiling for rental increases every year, did you not?

Mr MacMillan: Yes.

Mr G. Wilson: Well—

Mr MacMillan: Actually, I did not. When I went and made my rent applications, I actually found that the amount of rent that I was permitted was slightly more than what I had been charging.

Mr G. Wilson: I see. But you did not find that was adequate to put enough aside for kinds of renovations like the changes your sun porch required.

Mr MacMillan: I lost money in most years I had the building, and that is not through sophisticated accounting procedures. I do not even take depreciation on my building. I lost money because it is very expensive to maintain an old building if you want to maintain it to good standards, you know? And when you finally come to a point where you have a large amount of money, of capital, to spend, you look to the building to pay that, okay?

Where am I going to accumulate this money? If I have to take it from my my income, I tell you, I do not have that amount of money. I have got four children. I do not have it. I am not going to be in the business. And there are thousands of other landlords like myself who just will not make that leap of faith, will not do it. And if we do not do it, who is going to provide accommodation for people? I—

Mr G. Wilson: Well, I think, as you said—

Mr MacMillan: Let me just say something.

Mr G. Wilson: Okay, sure.

Mr MacMillan: If you really feel this—

The Chair: You have 10 seconds.

Mr MacMillan: Okay, let me say it in 10 seconds. Here is a challenge I will put out to you. All of you people probably make as much or more money than I do. Buy a small apartment building. I can tell you one that is available in the city of Ottawa right now—

The Chair: Thank you. Somebody may take you up on that offer. Mr Gelinat?

Mr MacMillan: —for \$141,000. Buy the building and try to run it—

The Chair: Order. The committee wishes to thank you for appearing, sir.

Interjection.

The Chair: Sir, I have got to run this meeting in an orderly fashion and we have to keep moving on so we can finish. Thank you. I appreciate it.

Mrs Y. O'Neill: If I may, on a point of order or information, I do not know which it is.

The Chair: Whatever.

Mrs Y. O'Neill: I am sorry that I am late this morning.

The Chair: No problem. We were all late.

Mrs Y. O'Neill: The Ottawa traffic is really interesting these days, with the snowstorm. If I may, I would like to table the amendments of our Liberal caucus.

The Chair: Right now?

Mrs Y. O'Neill: Yes. I would just like to present them so that people would know where we are thinking.

The Chair: You want to have them distributed?

Mrs Y. O'Neill: I have them here to be distributed by the clerk. This certainly does not limit our presentation of further amendments, but it is our immediate response to the presentations we have had to this point.

The Chair: Very good. And I must add, I guess if I was going to court on some matter, I would try to hire Mr MacMillan, because he would fight right to the very last second.

Mr Brown: I just wanted to remind members that the government caucus has also presented amendments to the committee. I think we all have received copies of the government amendments. I was wondering, just for the information of members, if the government is entertaining further amendments, or are these the ones we will be expecting to see?

Ms Harrington: I believe we will have to find out on Monday. I have not got any any further to present today.

Mrs Y. O'Neill: I thought Monday we were dealing with the green paper—then Tuesday, was it?

Ms Harrington: Tuesday, sorry.

Mr Brown: Just for clarification, Mrs Harrington, we may see further amendments on Tuesday from the government? The ones we have seen are largely technical amendments to the bill. There is nothing of substance yet.

Ms Harrington: These are basically technical amendments at this time.

Mr Brown: So your decisions based on what we have heard, we will see those kinds of amendments, if any, next week.

Ms Harrington: That is right.

The Chair: Mr Wilson?

Mr J. Wilson: I was just going to ask the clerk if I could have a copy of the government's amendments. Thanks. You may have given me one last night, but I could not find it this morning.

The Chair: No problem.

ALBERT GELINAS

The Chair: Mr Albert Gelinat? We will be following the same procedure. You have 10 minutes for your oral presentation, followed by 10 minutes of questions. Please have a seat. We just ask you to identify yourself and whom you are representing for the record.

Mr Gelinas: Good morning, ladies and gentlemen. My name is Albert Gelinas and I am representing the view of one tenant, myself, and perhaps the view of some others that I share.

I would like to first of all apologize for the quality of my brief. I had hoped to polish it up this week, but I have been stricken with the flu up until yesterday.

I am a tenant today and have been since renting my first apartment in the late 1970s. I became actively involved in tenant issues about a year ago when I was elected president of my local tenants' association. Since then I have learned a great deal more about problems tenants and landlords face. I have also become involved with the Federation of Ottawa-Carleton Tenants Associations and a province-wide tenant association known as the United Tenants of Ontario.

I cannot give you charts and statistics. I have no expensive consultant's report to present to you. I can only speak common sense. I can only speak from my own experiences with landlords.

Over the years, I have rented from the small to the corporate landlord. In my opinion, whether we are talking of a two-unit landlord or a 2,000-units landlord, their vision is the same; that is, to take every last penny of rental income out of that rental accommodation. I have had to pay for maintenance to units that I have rented. I have seen a decline in services while my rent continued to go up. Yes, my friends, I can only speak of real concerns tenants face regarding affordable housing throughout this province.

In June 1990, I had the good fortune to attend the second annual United Tenants of Ontario conference in Waterloo. It was there that I had the opportunity to speak to tenants from North Bay to Windsor, all across this lovely province of ours. It was there that I heard Bob Rae speak of real rent control. He promised an NDP government in Ontario would introduce rent control, one yearly rent increase tied to the rate of inflation with no exceptions. What a wonderful dream. He spoke of ending big profits landlords enjoy through annual rent increases or speculative real estate deals, all at the expense of tenants.

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Here we are, only a few months after an NDP majority government win in Ontario. The questions I am asking now are: Will this government live up to its promises made to tenants? Will this government live up to the New Democratic Party's aim to end exploitation of one person by another, of one class by another? Will this government stand by the New Democratic Party's rejection of the theory that the unregulated law of supply and demand should control the destiny of society and its members? In my opinion, this NDP majority government at this point in time falls short on these, its own fundamental beliefs.

But there is hope. The Minister of Housing, Dave Cooke, has taken one step in the right direction with the introduction of Bill 4. This is only the beginning. Bill 4 must pass and further reforms are necessary. I can only hope the Minister of Housing will not bend any further to the pressures of the landlord lobby. They have spent much

of their rental income to convince the government and tenants that Bill 4 is bad and we will all pay in the end.

Landlords today have to wake up and learn to manage more effectively their rental income. They must realize tenants are not a bottomless source of income. As a tenant, I have paid for landlords' financial mismanagement. I have paid for Band-Aid repairs, only to pay again. I can no longer afford to pay.

Bill 4 must pass as is. It will give the government the time it needs to consider all the issues while saving tenants from any further unnecessary burdens.

In its explanatory notes, Bill 4 states its purpose is "to limit the circumstances under which landlords may obtain rent increases above the annual guideline." This is not real rent control and will not drive landlords to bankruptcy, as they claim. The Minister of Housing is only proposing to tighten the current rent review system, not eliminate it. Bill 4 will allow increases according to a simple cost allowance formula. It would allow for extraordinary operating costs, such as municipal taxes, heating, hydro, water, insurance and cablevision. It will consider renewal or refinancing costs of mortgages or loans. These are costs which some landlords may need assistance with and Bill 4 provides for them.

Another important point to mention here is that, in addition to all of this, the Minister of Housing has also recently announced a \$15-million program to assist landlords with necessary repairs.

Bill 4 also offers protection against high rent increases for tenants who face deterioration in standards of maintenance, a reduction in services, and most important, it will consider the degree to which the rental unit complies with maintenance standards.

This bill will serve to simplify an overregulated and overworked system of rent review.

In my own experiences, up until October 1990 I faced rent increases at the annual guideline from most of the landlords I had rented from over the years. With the election of Mr Rae and his government, landlords ran to rent review in record numbers in the Ottawa area. I am now facing a substantial rent increase with the current rent review system. I have no chance. I will have to pay more and more each year. This and all the other cases in the Ottawa area are good reason to end this rent review madness and pass Bill 4 retroactively to October 1990.

The landlord lobby groups claim making this bill retroactive will put them out of business. If this is true, I would like to know why in all the years that I have been a tenant I faced guideline increases. That was enough for my landlords. Why in 1991 is this no longer enough? Liberal Housing critic Dianne Poole recently pointed out that statistics from the rent review commission show 96% of rent review decisions allowed increases of 14% or less in the 22-month period ending in October 1990. Am I supposed to be happy that I face only a 10% increase in rent, especially when my employer is talking about wage controls at 4%? Even with a guideline increase, my landlord would still be ahead of me by 1.4%.

The final and most important point in Bill 4 that I would like to mention is that it amends the definition of

rental unit to make it clear that it includes a rented site of a mobile home or a single-family dwelling, even if the tenant of the site owns the mobile home or the dwelling.

This is very important to me as an owner of a mobile home situated on a leased lot. If my rent continues to go up to the point where I can no longer afford it, I will have to sell my house. I do not have the option of moving out, as tenants of apartments can do. I cannot move my house to another area because tough restrictions exist in Osgoode township regarding the placement of mobile homes. I would have to move out of the region altogether to find a suitable site. Mobile home parks must be covered, as Bill 4 intends.

I am sure you have heard and read many eloquent presentations from landlords, and you will likely hear more. In closing, I would like to leave you with one last thought to store in the back of your minds. If landlords were as fair as they claim to be, there would be no need for tenants' associations, no need for federations of tenants' associations, and certainly no need for the United Tenants of Ontario. My friends, Bill 4 must pass as is. The Minister of Housing has opened the door just a crack. Let's give him the opportunity to open it wider, and hopefully landlords will realize their interests can best be served by working with tenants instead of against them. That is it for me.

Mr Tilson: Housing in the province of Ontario is certainly a major social problem, whether it be apartment owners, whether it be the mobile home owners, whether it be the individual who simply owns his own home. I can tell you that there is a large number of people who have purchased homes, probably for amounts that—I mean, who knows what is affordable any more, whether you are talking apartments or whether you are talking homes; I am not even too sure what the word "affordable" means—paying unbelievable amounts for their homes, with tremendous mortgages that they will never pay off in their lifetime unless the prices go up even higher and they somehow—

Mr Gelinas: Win the 6-49.

Mr Tilson: Well, that is right. And if people are living in homes with mortgages, and that is all they can pay—I mean, you talk about tenants paying 30%. I can tell you I know of people who have gorgeous homes and no furniture because they cannot afford to buy it; it is all going into the mortgage payments. And their food is not—you know, it is a similar type of a problem, perhaps a more expensive type of a problem, but the same problem is there.

Since we are dealing with rental accommodation, the apartment-building type of accommodation, I guess that is where I look at, how do you make these things more realistic, how do you make these accommodations more realistic? I believe that one of the ways is increasing the supply, because obviously if the supply is greater, the competition will be greater, prices will not be as high, whether it be for houses or whether it be for apartment buildings or whether it be for mobile homes.

I guess my question to you therefore is, should governments—this government—be encouraging private enter-

prise to build more apartment buildings or buy trailer parks or whatever, as opposed to governments actually getting involved themselves? In other words, should the governments in fact be going out and building the rental accommodation? We are having landlords saying, "We can't afford to do it." Therefore, should the government be doing it?

Mr Gelinas: I think that it would be the ideal solution for the government to do this, but it would be impossible for it as well. I would like to see the government encourage landlords to do this themselves.

Mr Tilson: I would too, and I guess that is the question that I have for you. How do we encourage private enterprise to increase the supply? Certainly you talk about the history, your history. All you have got to do is look at the history of any of the cities that we have been going to and they are not building new apartment buildings. Why are they not doing any new apartment buildings? Probably because all three governments, and it includes the Progressive Conservatives, have not been encouraging rental accommodation.

Mr Gelinas: Yes.

Mr Tilson: But I submit to you, and I do not agree with you that this is a good bill because I think it is discouraging the supply, it is not encouraging landlords or owners or developers, people with investment, to build new apartment buildings. It is a social issue. There is no question. We have had story after story after story of landlords saying they cannot afford it. My solution is encouraging speculators, developers, people who have money, to build more apartment accommodation. And this government is not doing it.

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Mr Drainville: Before I ask a question, a particular question, I would like to say, as we have said before—in fact, gave statistics—in the first week of the hearings, that what we have seen about British Columbia, where they have no controls, is that indeed there has not been an increase in the number of units available in BC. We have seen quite the opposite, that there is a decrease. So to say that just because you get rid of controls you will have an increase on the market of the number of units available just is not so.

I would also like to say that in terms of the issue, again, around the social issue, it is an issue that has social implications, but Mr McIntyre's report yesterday, his deputation to the committee, indicated very clearly that landlords have the opportunity to make a substantial amount of money. Now, not every landlord made, and that could be true, but in terms of the overall system many, many landlords are making a very good living indeed.

I was a little bit confused as I followed your deputation. At the beginning it sounded like you were a tenant in an apartment building, but from the sound of it you are living in a mobile home?

Mr Gelinas: Yes, at a leased site.

Mr Drainville: Okay. If you could tell me just a little bit about that, how much is it presently costing you and

how much is that a percentage of your overall earnings, it gives us an idea of where you are coming from on the issue.

Mr Gelinas: Basically, right now my lot rental includes taxes. I am paying a basic lot rental. I pay for all the services; that is, taxes, hydro and everything else. I cannot give you the breakdown in relationship to my income, but that is a total cost of about \$189 a month right now, plus the 10.6% increase that is pending.

Mr Drainville: In terms of your present financial situation, is that a significant difficulty for you? That is, I guess, what I am trying to ascertain.

Mr Gelinas: In my position, as far as renting goes, no, it is not that bad.

Mr Drainville: How long have you lived at that particular trailer park?

Mr Gelinas: I have been there for about five years now.

Mr Drainville: Okay. That is all the questions from me.

The Chair: Mrs Harrington, you have one minute.

Ms Harrington: I just want to thank you for coming in this morning—I understand the driving is not that good out there—and taking a day off work, or at least a portion of the day off work.

I also wanted to find out what the finances of the increase were, but I also would like to ask how far your trailer park is, or whereabouts it is.

Mr Gelinas: We are just southeast of the city. We are within Osgoode township, which is within the region of Ottawa-Carleton.

Ms Harrington: Highway 16, that area?

Mr Gelinas: Yes.

Ms Harrington: The other point that you mentioned was having to work together with landlords, and we know that is the way of the future. We have to get everyone co-operating. Thank you for coming.

Mr Brown: I believe you are the first presenter who has pointed out that this legislation is at variance with An Agenda for People, with the information that the government party placed before the people of Ontario prior to 6 September. We commend you for your observation and I just would like to let you know that they say: "This is interim legislation. It won't work. We know it's crazy, but we would like to have a pause while we figure out what we will do."

Mrs Y. O'Neill: Mr Gelinas, I am sorry that you have had the experiences you have had, because I have been a tenant for more than half of my life, 23 years of it, in very modest housing—in fact, it was housing over stores—and I have not had the same experiences as you have had. I find it very difficult that you have blocked together both large and small landlords, because I have had both large and small landlords.

I am also sorry that you took out of context the statement about 14% average annual increase, because it is necessary to balance that with the statement that more than

80% of rent increases do not go to review. They are not requested. There is no extraordinary reason for them to go and therefore they do not go and tenants and landlords work that out. In accordance with the existing legislation, they do not have to go to review. So we are talking about a much smaller percentage than would be given the impression by your first statement.

I am glad you finally, in your closing remarks, came to the fact that you are a mobile home owner—or relocatable homes, as I think the phrase is more current. I have talked to the Minister of Housing, Mr Cooke, about this matter, and the reason we have talked about it is because Bill 4 really is not going to help mobile home occupants. Nor did the previous legislation. He and I—and I think he would back me up if he was sitting here this morning—had come to the conclusion that neither of these pieces of legislation do much for mobile home owners. We have had presentations on both sides. Some mobile home owners like it, some do not. As a result we think that there should be a separate piece of legislation—I do—and that is why I am quite surprised in the amendments that have been tabled from the government side that there is no intent to do that, but hopefully the new legislation will have a special section for mobile home owners, who are a class unto themselves.

The Chair: Time has expired. Mr Gelinas, thank you for appearing before our committee.

CITY OF OTTAWA

The Chair: The next presenter is the commissioner of housing and property, city of Ottawa. Is that correct? I am sorry, director of market housing branch, city of Ottawa. There has been a slight change. I think you have observed the proceedings. We are going to follow the same pattern.

Mr Stankovic: My name is Dan Stankovic and, on behalf of the city of Ottawa, I would like to thank you for the opportunity of presenting our views on Bill 4 and, more so, on the rental housing market in Ottawa.

As a brief personal introduction, I have been working for the city of Ottawa for the last 13 years, I think, and over the last three years have been the director of the market housing branch for the department of housing and property. Our branch is responsible for a number of programs, including the residential rehabilitation programs from CMHC and the province of Ontario. We also administer the Rental Housing Protection Act and we are involved in the preparation of a number of policies that relate to specific issues and problems in the city of Ottawa with respect to housing. One important priority area for the branch, and the city as a whole, is to encourage direct private sector participation in meeting the affordable housing goals, both in terms of new construction and the preservation of existing stock.

I am also accompanied by Anna Lenk. She is the person who was responsible for preparing the discussion paper we prepared and presented here. The paper was presented to our elected reps and I am submitting it here for your information.

The focus of my presentation will not be so much on the decision-making mechanisms of Bill 4 or the specific

impacts Bill 4 will have on the process with respect to regulating rent adjustments and passing through maintenance and operating costs. I am sure that representatives from the landlords' and the tenants' groups will be able to express their own viewpoints with strong arguments and some wealth of information.

My interest today is instead on the overall health of the rental housing market in the city of Ottawa, which is influenced by a complex, myriad number of market forces and government programs, as well as government regulations such as Bill 4. As a municipal government entity, the city itself has no direct role in the rent review process per se, but the city has, however, a long-standing commitment to affordable housing and it is generally recognized as one of the leading cities in Ontario in terms of delivering housing programs, including social housing, and proactive promotion of some innovative and new approaches. City Living, for example, the city of Ottawa's non-profit housing corporation, currently manages about 4,700 social housing units housing some 12,000 people and is actively involved in some exciting projects, such as preserving the affordable neighbourhood of Strathcona Heights.

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We are also one of the first municipalities in Ontario to establish and enforce minimum property standards. In the area of residential rehab, although the elimination of the federal residential rehabilitation assistance program has seriously impeded our ability to respond to some of the problems of deteriorating housing stock, the province's low-rise rehab program has been very active. Between 1986 and 1990, for example, the program contributed to rehabilitation of some 1,900 units. Naturally, we welcomed the province's decision recently to extend that program for another year with, I believe, a total annual funding of \$15 million province wide. We are also excited about the recent additional \$2 million from the province targeted specifically for rooming house repairs in the city.

There are a number of other rental housing activities that the city is involved in. There are briefly described in our discussion paper. I will not get into detail here, but I would like to draw your attention to one particular initiative we undertook back in 1988, which was to sign a landmark housing agreement with the province of Ontario. This agreement contained a number of significant programs and over the lifespan of three years—which I guess just ended recently—the agreement did pave the way for accomplishment of some major achievements in the area of affordable housing. We recently met with provincial staff with the intent of trying to maintain the principle of partnership and co-operation with the province of Ontario. I will refer back to this notion of partnership later on in my presentation.

From a policy perspective, the city's efforts are aimed at achieving the following two basic interrelated goals: first, to ensure that the supply of housing, particularly rental housing, remains affordable to tenants in Ottawa; second, to ensure that the existing stock of affordable housing is maintained and retained from a physical standards point of view.

These affordability and physical quality needs are, of course, the basis for much of the debate that we are experiencing over rent review and rent control in the province. I would like to draw on some selected information from our discussion paper to illustrate the problems the city of Ottawa is facing in the rental housing market.

Because of its economic base, Ottawa has historically been a mobile, transient city. From the 1986 census, for example, of the total of some 128,000 dwelling units in Ottawa, 61% were rented. According to an extensive housing affordability survey we undertook just last year, we found that 36% of the tenants were actually paying 30% or more of their income for shelter and 64% of the renters said that they wanted to buy a house but were not able to afford to. The highest incidence of affordability, of course, was found in single-parent families, where 44% of them spent 30% or more of their income on rents. CMHC also has recently introduced a new home ownership affordability index. According to their statistics, only 12% of the renters in Ottawa-Carleton could afford to buy a starter home in 1989. This percentage decreased to 10.6% in the spring of 1990 but increased again to 12% by the end of last year. This recent increase probably can be attributed to the declining interest rates and the general slump in the housing market. Nevertheless, the percentage of renters who can afford to move into home ownership in the Ottawa region is among the lowest in the country.

Another key statistic that is characteristic of not only the city of Ottawa but probably most major cities in Ontario is the largest source of future affordable rental housing will be found by far in the existing housing stock. However, the existing housing stock is also aging and will increasingly require maintenance and repairs. Referring once again to our 1990 affordability survey, it is estimated that 11% of the existing rental units will require major repairs, such as items involving roof leakage, plumbing, floors and electrical components. In addition, over 36% required minor repairs such as replacement of doors, windows, plumbing and so on.

As of 1986, according to the census, there were over 44,000 medium- and high-rise apartments in Ottawa, many of which were built in the 1960s and early 1970s. These units are now some 20 to 30 years old and have reached a point in their life-cycle when, over the next 20 years, they will also require major renovations. Many high-rise apartments right now are experiencing serious deterioration of underground garages, balconies and concrete cladding, due to weather and salt damage. In addition, 43% of all dwelling units, which includes both rented and owned, were built before 1961, and this supply includes an estimated 35% of our affordable housing stock.

Another statistic on the supply side is provided to us by the Ottawa Region Landlords' Association. They have found that about 45% of rental units in Ottawa-Carleton are in buildings with one or two rental units. This would indicate that there is a large number of small landlords who are responsible for maintaining an important source of affordable rental units but do not have the rental income from other properties to cover any extraordinary capital costs. It is also worth noting that the majority of these

buildings would not be protected by the Rental Housing Protection Act.

The interaction between continuing demand for affordable rental units and the growing need to maintain the existing stock, combined with the decreasing trend of new private rental construction, has contributed to the problems and dilemma that the committee will be faced with over the next few days. Tenants faced with rents rising faster than their incomes, increases which are also caused by so-called luxury renovations, will find it more difficult to afford the rents. These households are also the most disadvantaged since they have the fewer choices of alternative accommodation. This is a situation that is particularly acute in Ottawa, where our rental vacancy rates have never exceeded 2% over the last 10 years. In fact, according to the last survey by CMHC, our rental vacancy rate is only 0.5%, and that was in October of last year. The consequence may be that more tenants will be forced to join our ever growing list for assisted housing, which is now up to over 4,200 region-wide, an increase substantially from only 2,700 three years ago. CMHC also estimates that about 20% of the renters in the private rental market would qualify for social housing.

On the other hand, landlords are now finding that capital expenditures on repairs cannot be passed through as rent increases, and with reluctance to undertake necessary work, the quality of an aging housing stock will be threatened. These changes are also happening when funding assistance through senior government programs is being reduced or eliminated. I should also add that there has never been a program to assist high-rise rental buildings.

This dilemma is also being experienced directly by the city of Ottawa, in the area of the enforcement of minimum property standards. Beginning in 1990, the city undertook what we call a proactive inspections program to try and respond better to some of the concerns and needs of tenants in buildings that had constant complaints over health and safety concerns. To date, the city's buildings branch has inspected 22 buildings, involving some 1,500 units, under the proactive program. But we are experiencing increasing reluctance by landlords to comply with work orders since they are unable to recover costs for repairs. I should also note as a footnote that renovation work also consists of a fairly substantial portion of our revenue in terms of building permits. Given the nature of property standards enforcement, many of the buildings are marginal properties owned by what I will simply describe as difficult landlords. Unfortunately, these buildings also represent an important source of the most affordable housing stock, but at the same time, the most threatened supply also.

The many problems and issues that the standing committee will experience on Bill 4 and rent review reflect the difficulty of the public sector to take on the necessary steps to ensure a continuous supply of affordable rental housing. The challenge exists to establish a sensitive but difficult balance between protecting tenants and the existing supply of affordable housing and allowing a fair and equitable return on landlords' investments.

The city of Ottawa will continue working towards meeting this challenge within its own resource and legislative limitations. We are about to embark on a comprehensive rental housing strategy to try and deal with some of the problems, but we also believe that such a comprehensive strategy should be implemented as a co-operative effort with the province of Ontario. I refer to the partnership momentum that was created back in 1988.

The Chair: You have about 30 seconds, Dan.

Mr Stankovic: Okay. As in my presentation, we have already taken some action to try and develop some partnership. We have, for example, offered to match, on a 50-50 basis, the province of Ontario for a housing renovation program. The city itself may be able to provide other assistance. One example would be, with its expertise in property standards and residential rehab, the city can perhaps assist in determining what are luxury units versus what are needed repairs, which in turn may be of assistance in determining allowable rent increases.

I will cut it short and I will thank you for your time and attention.

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Mr G. Wilson: Thank you for your presentation, Mr Stankovic. It certainly outlines the problems that a municipality faces and I think, for me at least, it has given me some background in this area.

I was interested though in one area here where you speak of the difficult landlords that you have, and I guess that is where the property standards has had its most activity. I would just like you to elaborate on what you have summed up as being the source of the most affordable but at the same time most threatened units. Affordable would be the lowest priced, I guess; is that what you mean?

Mr Stankovic: Yes. I guess what I mean by marginal properties, they tend to be the older stock which has been nixed due to some neglect in terms of ongoing maintenance. Under normal conditions this older stock usually is also the more affordable in terms of the lower rents, but if it is threatened in terms of deterioration to the point where it might be unsafe and unfit for habitation, then I would say that will cause a deterioration and a decline of that lower end of the rental housing stock.

Mr G. Wilson: Yes. I was wondering, this did not happen just, say, last October. This must have been a problem that has gone on for some time, given the state of these units.

Mr Stankovic: I would say it has been going on for a while, yes. But I cannot speak for the landlords of the properties themselves.

Mr G. Wilson: Of those—

Mr Stankovic: Of those marginal properties, yes.

Mr G. Wilson: Are you satisfied that the city has the wherewithal to enforce the standards act, the standards regarding residential properties?

Mr Stankovic: Yes. I should note that for the past several years we have been enforcing the standards bylaw in terms of a complaint basis. I guess with the growing incidence of complaints over health and safety factors,

there was a political decision to enforce a more proactive approach to enforcing property standards, and the cause of this proactive approach is because of health and safety factors. We have had a few instances where there have been some problems with particular properties that have deteriorated and are now becoming unsafe, but at the same time there has been difficulty in trying to get the repairs done unless the city goes and does it and charges it to the property taxes.

Ms Harrington: I certainly appreciate this brief. You are not from one side or the other, but you are more than an interested bystander, you are very much involved in this process and you have given us a lot of nuts and bolts here that we definitely have to deal with.

I wanted to first say thank you for being so much involved in the standards and making sure that they are enforced, because that is one thing that the provincial government will have to work with the municipalities to do. And the other thing that I will have to find out more about is this 1988 agreement that sounds quite novel and very good.

I just wanted to emphasize that you have brought forward the real difficulties of the small landlords, that we need to have maintenance and improvements on the—and even as you say, the larger buildings as well are aging. I would certainly like to commend the city of Ottawa for sort of going above and beyond what probably has been done in most other places. Maybe we should look to this municipality in the future for some help.

The Chair: Could we have Mrs O'Neill, Mr McGuinty and Mr Daigeler, all in three minutes?

Mrs Y. O'Neill: Thank you so much, Mr Chair.

Mr Stankovic: I have not got a promotion yet.

Mrs O'Neill: Well, I think you have been very modest in your presentation, because we know that you have had awards for the work you have done in this city and I think that it is unfortunate that the new members of the government do not realize that this was the beginning of the real strong partnership of the province and a city for the establishment of affordable housing. I am very proud of that fact and your work, and the team you had is very much part of that.

I also want to say to you that I know that some of the problems you have had in your work, and certainly it is mostly in connection with public housing, is the upkeep on public housing. I have many of the units that you administer in my riding and I hear from the tenants. So I commend you for taking the partnership that you are taking with the province in this study. This is unique, again, and I think that Ottawa is ahead of Bill 4 and ahead of the green paper.

Mr McGuinty: Thank you, Mr Stankovic, for appearing before us today. I am pleased with one of the priorities you have set out in here, and that is, "to encourage direct private sector participation in meeting affordable housing needs both in terms of new construction and the preservation of existing stock." And later on in your presentation I think you address in a very fair way the delicate balance that has to be struck between the needs of landlords and tenants.

However, I would like you to hit the nail on the head here today. We are talking about Bill 4. As it exists presently, where does it stand with respect to that delicate balance? Does it help to maintain the balance; does it outweigh it one side or the other?

Mr Stankovic: Is my 10 minutes of questions over yet?

Mr Chair: You have about 30 seconds.

Mr Tilson: It will not be long.

Mr Stankovic: I would like to maintain a neutral position here too in terms of our responsibility.

We have tried to get direct private sector participation in the actual construction of new rental units through joint ventures, for example. We did manage successfully to get a joint venture that was a mixed 84-unit project involving 42 market units and 42 social housing units.

But in terms of the city's efforts, there are two things that impact directly. One is through property standards and our difficulties in enforcing property standards in what I describe as marginal properties. Bill 4 may have an impact, or rent control may have an impact, on how some necessary repairs to at least maintain minimum property standards will be covered in terms of the costs that are required to do those repairs. At least if you listen to the landlords, if those repairs, those capital expenditures, cannot be passed through the rents, then it will be very difficult for these landlords to recover those costs.

It also affects us in terms of residential rehabilitation work, not so much on Bill 4 itself, but if, for example, these smaller landlords or marginal properties do not have an opportunity to get some assistance through these programs, then it becomes difficult to try and provide some form of incentive for them to do the work too. That is another area we are quite concerned about, the declining assistance available through these rehab programs, not just from the province but CMHC, for example, the RRAP program.

Mr Tilson: A couple of questions on property standards. How large a staff does the city of Ottawa have as enforcement officers?

Ms Lenk: I think it is about eight or 10. It is not in our department, so I am sorry for the vague answer.

Mr Tilson: Right. I am just interested in your comments that there is an increase of inspections. Do you anticipate that your staff may have to be increased?

Ms Lenk: There was an increase of staff to cover the proactive inspections program, because that went beyond the responding to individual complaints.

Mr Tilson: I am sure you have been following these proceedings with interest, particularly hearing landlords who are simply coming and saying: "We don't have the money to do capital expenditures. We're not going to do capital expenditures, no matter what property bylaws there are. We just don't have it. We may want to do them, but we don't have the money to do them." If they go through with that, if that is in fact true—and I do not know whether it is or not; they say that it is—how will that affect you?

Ms Lenk: The problem exists already even under present rent review legislation, landlords for one reason or another, some of the ones we have referred to as difficult, not wanting to spend the money. There is the remedy through the courts, but that is a whole other subject of the Planning Act and the building code and I do not think you really want to deal with that in detail today.

Mr Tilson: You have said that you have seen an increase. Do you see the problem getting worse?

Mr Stankovic: Given the experience over the last two years, it is getting worse. Whether it is going to continue we will have to see, but it has been getting worse over the last two years in terms of particular properties that have come to the surface as being problem areas.

Mr Tilson: Have you had any situations yet where you actually go in and correct problems yourself?

Mr Stankovic: Once again, unfortunately, I am not in a position to give you a good answer on those because we are not responsible as a department for the implementation of the property standards bylaw. That is in another department. Unfortunately, we do not have anybody hear representing that department.

Mr Tilson: I would like to get to another area, if I have time, and that is an area that arose in the city of Toronto where work orders got so voluminous on a particular building that the owner went to the assessment people and said, "Listen, our building has deteriorated to such a degree we want a reassessment." There was a story last week. I cannot remember the precise figure. It was \$400,000, \$430,000; some large amount of money. Do you anticipate that happening, not that specific situation or perhaps that extreme a situation, but do you anticipate owners going to the municipalities and saying, "Because of situations"—whether it be Bill 4 or whether it be whatever—"our buildings aren't worth what they used to be"?

The Chair: Yes or no.

Mr Stankovic: Once again, it is difficult to anticipate that. There may be one or two properties that come to mind that could potentially come to that situation, but I do not think it would be a tidal wave of concerns of that nature.

The Chair: Very good. Thank you for your presentation today, we appreciate it.

Mr Stankovic: Thank you.

MARY ANN FRANCHINA

The Chair: The next presenter, Mary Ann Franchina. Mary Ann, you have been allotted 20 minutes for your presentation, 10 minutes for your oral presentation to the committee followed by 10 minutes of questions. I just ask you to identify yourself for the record.

Ms Franchina: My name is Mary Ann Franchina and I am a resident of the city of Ottawa. I am here this morning to share with you some facts about my situation as a small landlord, but first let me tell you something about myself.

I am an ordinary working person with a husband who is an ordinary working person. We have two children, a

boy and a girl. My son recently joined the workforce; my daughter is still in university. We are just a normal family and by no stretch of the imagination could we ever be classified as wealthy landlords. Both my husband and I are of retiring age and I personally had planned to retire before now, but this was not possible. Our plan was, before retiring, to invest our savings into a facility that would supplement my superannuation and keep us both occupied. My husband has no pension plan.

After much researching and investigating, we found what we were looking for, a small three-storey building containing 14 units. The building was of the Victorian era and still in its original state. The apartments ranged from 1,000 square feet to 1,500 square feet and of the size of a conventional three-bedroom house. Each had a separate dining room with a bay window, hardwood floors, oak doors and woodwork and a fireplace in the living room. The apartments were quite spacious and bright. To say the least, we were impressed.

The one major drawback was the rents. They ranged from \$257.75 per month for a one-bedroom to \$460 per month for a three-bedroom. This rent included, among other things, the heat, hot water and free laundry facilities. Some rents were well below one half the average rent for similar accommodation in the same neighbourhood. The building had been owned by an 88-year-old lady who obviously did not increase rents yearly. This one major drawback, we realized, would adjust itself under the existing rent review legislation.

We made our decision to buy and had a good feeling that in the future some returns would be forthcoming, as with most investment, or at the very least the building would at some point in time become self-sufficient financially and we would have some equity to pass on to our children. Under Bill 4 and rent control, this may never happen.

We purchased the apartment building, and being serious and conservative-minded individuals, we invested our complete life savings of \$350,000 to keep the mortgage payments to a minimum. Even with this sizeable down payment, our financial loss for the first year was in excess of \$17,000. We purchased the building on the assumption that the financial losses would be recoverable over a period of time through phase-in increases.

In June 1990, acting in good faith, we made significant necessary improvements to the building amounting to \$25,000. We played by the rules; we made application under the existing legislation to the rent review commission for a rental increase based on the cost of improvements and financial loss. We were awarded a 13.9% increase for the first year commencing 1 October 1990 and phase-in increases of 5% over a period of four years.

If the proposed Bill 4 becomes law and is implemented, with the mere stroke of a pen the increases will be wiped away even though the improvements were made and the money spent, all done legally through proper procedure under the existing legislation.

But the worst part of the scenario is that my husband and I, through no fault of our own, may lose our life savings. I am quite sure that Mr Cooke would not like to go

down in history as the Ontario minister who in 1991 designed and implemented legislation that put many, many small landlords like me into bankruptcy.

Let me remind you that the rents in the building were below one half the average rents charged for units of a similar size. Our tenants are mostly young professionals with high disposable incomes and certainly not in dire need of subsidization. Among the 14 tenants I inherited two lawyers, two doctors, a parliamentary librarian, an individual who owns an import-export business, a buyer for ladies' fashions, several public servants and a retired Canadian National official who owns his own apartment building elsewhere but who prefers to live in this building because, to quote him, "It's cheaper." Is Bill 4 on rent control designed to help these people?

Unlike Toronto, the majority of landlords in Ottawa are like us: full-time workers and part-time landlords, just trying desperately to make ends meet. Why should we law-abiding citizens be treated with such disrespect and ultimately penalized retroactively? It makes no sense.

If Bill 4 and later rent control are implemented, I do not know what we will do. We could sell, but who would want to buy? No investor would take such a risk.

I am not sure what the solution is, but I am sure the solution is not Bill 4 and rent controls. They did not work in British Columbia, they did not work in Alberta, they did not work in New York City; what makes the government think they will work in Ontario? The historic ramifications in these centres were incalculable. Let's look at alternatives, perhaps legislation by regions, assessing each region on its own merit. There must be alternatives that would be fair to landlords too.

In conclusion, I would like to thank the committee for affording me the opportunity to shed some light on the turmoil and trauma a small landlord like me feels, caught in a no-win situation, and I want to go on record as being in strong opposition to both Bill 4 and rent control. As many people have so aptly put it, rent controls hurt most those they are designed to help.

Mr Brown: Good morning.

Ms Franchina: Good morning.

Mr Brown: Thank you for your presentation. Just looking at this, we can see that you did everything absolutely according to the rules as were laid down in the 1986 legislation.

Ms Franchina: Yes. We went by the book.

Mr Brown: You had the order in your hand. The government of Ontario had said to you: "This is legal. You can do it. There's no problem. You can recoup some of your money through this legislation." That is correct?

Ms Franchina: That is correct.

Mr Brown: And now, because of the retroactivity of this bill, you may be forced into personal bankruptcy?

Ms Franchina: I may be, yes.

Mr Brown: The government members who get to speak a couple of turns from now are going to suggest to you you made a bad deal, "Too bad, so sad, you guessed wrong."

Ms Franchina: I do not agree with them.

Mrs Y. O'Neill: It is too bad they are not listening.

Mr Brown: You paid a fair market value for the building, I assume; you scoured the market, you made sure that this was a comparable price?

Ms Franchina: Yes. We looked for two or three years before we found what we thought we could handle financially.

Mr Brown: I want to tell you that you are certainly not the first person we have seen at this committee in exactly the same situation, even in Metro Toronto. The suggestion is made this is not the case in Metro. It is the case in Metro. It is the case everywhere in this province that good, hardworking, honest people who made honest decisions are about to lose their life savings. And you would be pleased to know we have offered an amendment this morning that, if considered by the government, will rectify your situation.

Ms Franchina: I hope they take your advice.

Mr J. Wilson: Thank you, ma'am, for your thoughtful presentation. I do have one question about it though, and I will ask it before the NDP ask it. You bought the building, which you were impressed with, which was in good shape, from the 88-year-old lady, who had not been asking for, or had not been receiving yearly rent increases under the guidelines. And then you did what, \$25,000 worth of renovations? What type of renovations were those, if the building was in good shape?

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Ms Franchina: I did not say the building was in that good shape. I said that it was of the Victorian era, just the turn of the century. They kept it in fairly good shape. However, it was starting to deteriorate. It needed quite a bit of replacement on the verandas, the roof needed to be replaced, the flashing around the building had to be replaced and painted, we sanded hardwood floors, we did a lot of painting—the normal things. Some of the plumbing was not working well, so we had it replaced.

Mr J. Wilson: So none of these would be considered luxury renovations by any stretch of the imagination?

Ms Franchina: Oh, definitely not. We did not change the structure at all.

Mr J. Wilson: To reiterate what Mr Brown said, the NDP has told landlords like yourself in the past that you made a bad investment. I guess the problem we have with this bill is that it looks like a bad investment now, because you are not able to recover, in your case, particular capital costs, or I guess financing costs. Are your financing costs significant on this building?

Ms Franchina: No, we have one mortgage, and that was the reason for the large down payment. We cashed in everything we had.

Mr J. Wilson: So it is primarily the inability to recover the money that you spent on renovations.

Ms Franchina: It is basically because the rents were so very low, and under the existing legislation we felt that we were able to bring them up to not above average but at

least to average rents in that area. With this Bill 4, there is no chance for that.

Ms Harrington: I will start, and I think Mr Wilson wanted to say something as well.

I think what you have drawn to our attention is basically the problem of a building where the rents initially have been low, for whatever background reason—you were mentioning this woman who had owned it was very old—and I guess they had stayed in that condition for a while. But it looks like you have a very good building, a sound building, and that you are willing to do the work on it.

Ms Franchina: Yes, we are.

Ms Harrington: I appreciate your coming here and letting us understand what the situation is, because I think all of us who have bought homes can empathize with the type of situation you are looking at, a good building and a good buy and now you just have to work with that.

Mr G. Wilson: In spite of what Mr Wilson says, my colleague on the other side, in fact we have heard not only from landlords like yourself, but landlords who are more typical perhaps in the province; that is, landlords who have many more units than are in your building. In fact, our figures show that of the 80,000 units in this area, about 50,000 are in buildings of seven units or more, so the vast majority—not the vast majority, but the majority certainly are in larger buildings.

The other thing is, we have also heard from tenants. In our view, of course, we have got to be fair to everybody in the province. Shelter, I think you would agree, is a necessity, a human right, that we have got to make sure that there is affordable shelter, and the story that has been developing of course, the reason there have been controls for around 20 years now, is because of the squeeze put on a lot of tenants. That is the problem we face. On the other hand though, we realize, as your story suggests, that there are valid reasons why people want to get into a position of being landlords. However, the conditions have changed. I guess it comes back to Mr Wilson's question about your investment, what you took into account in deciding to go into the building and why the rents were so low, in effect. That must have been a concern to you. What did you think of that question?

Ms Franchina: I think that the people who are living in the building, they had a good deal for many years, and I think that under the existing legislation I would have been able to bring those rents up to normal. These people are not suffering. I do not know whether the majority of the tenants in Ottawa are of this nature or of another nature, but I do know that in the Ottawa area most people work for the public service. They make a good salary.

Mr G. Wilson: Still, though, another submission showed that 30% of tenant households in this region paid more than 30% of their incomes on rent. That is approximately 30,000 households. So it is a significant factor. While the tenants that you mentioned would seem to be not in that category, it is true there are a lot of people who are suffering under the present rent control legislation.

Ms Franchina: But I do not think that the rules should be changed in midstream. When I bought the building, the legislation was such. I have never heard of legislation being made retroactive.

Mr G. Wilson: No, it is certainly legal and it has been done before.

Ms Franchina: When? I have never seen it.

The Chair: I would like for it to go on, but I cannot. Our time has expired. Mary Ann, thank you for your presentation this morning.

Ms Franchina: My pleasure.

HOWARD SHAW

The Chair: Next presenter, Howard Shaw. Mr Shaw, you are familiar with the procedures we have been following this morning?

Mr Shaw: Yes, I am, Mr Chairman.

The Chair: Have a seat and take the floor.

Mr Shaw: Please excuse me. I have a breathing problem, so I will be puffing once in a while.

The Chair: Take your time.

Mr Shaw: First of all, I would like to identify myself. I am a tenant at 32 Ontario St in Kingston, Ontario. I have some knowledge of the rent control process. I have done consulting work in that area for the past number of years. Other than that, I will get on with it. I do not have a written presentation per se, but I have some notes here that I would like to consult every once in a while. I am not used to this, so please bear with me.

I would like to start off by saying good morning. With each change of government we go through this sort of process. We had the Thom commission under the Conservatives, we had the Rent Review Advisory Committee and the hearings under the Liberals, and here we are again, rehashing the same old story. As a matter of fact, with this government it seems to be a little different. You are now saying to a landlord, for something he did last July and August, paid for—not necessarily a luxury item, but a new roof, for example—you are saying: "That's illegal. And now while you're on the gallows, we're asking you if you have any last words, like, 'We want to consult.'" I do not understand this process.

I am having some difficulty trying to determine why I am here, what can I hope to do or achieve. After the Thom hearings, we had the hearings on Bill 51 in 1986 and again we had RRAC, which was made up of nine tenants and nine landlord representatives. It was signed by all but one. Now we are up here with Bill 4. Where do we start with Bill 4? Do we start working from Bill 51 and try and introduce something that will be halfway between zero rent and what Bill 51 has? I do not know. Try to get some middle ground? I do not know what we do here. It seems that the whole process of rent control has been decided upon, except for some form of recognition for necessary capital repairs.

Except that this bulletin put out by the Ministry of Housing says, "All tenants will not face increases arising from capital expenditures," and then I hear through the

media that Mr Cooke says, "We've got to allow for something, capital repairs of some nature." I do not know how. I do not know what he is going to do. I do not know how he is going to do this. He has basically made capital repairs illegal, at least for the next two years.

1040

What is going to happen? What is happening? I do not understand this. But again, I am a tenant and I am looking at the condition of my home, which is a unit in 32 Ontario Street. If my landlord does not have the opportunity to spend some money on that building over the period, I am looking at nothing in the way of a home. It is going to deteriorate. It has to. I lived in a house, my own home, until 1982. It takes an awful lot of money to keep up a building. But no more capital expenditures, which is ridiculous. That is for the public consumption, I think.

Incidentally, too—my rent is nearly \$900 a month—my unit is subsidized by all the taxpayers of this province to a tune of approximately \$54 a month. I hate to use the phrase, but I am a senior citizen on a fixed income. But really, I do not need a subsidized unit. They could spend the money somewhere else. Yes, get that note on the subsidy; I hoped you would.

In the short term, I can understand tenants who would love to pay zero rent because they are transient. They are looking at some reason to move. They are not staying. This is not their home. Anyway, I cannot look at that too much.

I would like to get into Bill 4 and touch on a couple of things on that.

Bill 4 kills equalization. I do not know why. I know the owners could care less about equalization, but the tenants want it. But Bill 4 says no, it is gone.

The lack of anything in the way of capital loss: I can see economic loss as defined under Bill 51 going down the drain, but financial loss under Bill 51, maybe with some slight modifications, is good. If you do not have that, a financial loss provision built in there, forget it, nobody is going to invest a dime in a building, or he is going to make sure that when he buys the building today it is going to give him the return on his investment that he wants. Otherwise he is not going to touch it. I do not know where you are going to get a building today that is going to give you 10% or 15% immediate return on your equity.

Bill 4 does not allow for anything in the way of—and I will use this example: In Kingston, we have a garbage problem. Everybody has, I guess, but the tipping fees in Kingston have gone from \$10 to \$60 or \$70 a tip. There is absolutely no provision in Bill 4 for working that cost into rents. There is no provision. The owner he will recoup it somewhere, somehow. The only area he has is the repair and maintenance portion of his operating costs. Everything else is controlled—light, heat, hydro, water.

Retroactively, Bill 4 kills the phase-ins of losses, or equalization. The businessman who—and I just heard my predecessor here at the mike say she had a problem—Bill 4 retroactively kills financial loss. And the phase-in that was awarded on legitimate ordered rent, it is gone. He is saddled with the loss now that he should not be. Actually, he made a purchase and made a commitment under a set of rules, and now you say, "Sorry, Mr Businessman, don't

come to Ontario and do that because look what we can do to you." I do not like it.

This does not sound like a tenant, but I have got to look at it from the point of view of reality. The classic example that I have is, I would like to present this order that was dated 15 November 1990. Here is a small businessman. As a matter of fact, he is 24 years old. His wife is 23. He works at UTDC in Kingston. He just lost his job. He bought this place in May 1989. Now, he made all the mistakes in the world, because I guess he is not too sophisticated. I do not know the man, never met him.

He bought this building in May 1989 under a set of rules. He found out that the rents in the place were illegal. There are three units in it. He found out that the rents were illegal when he went to rent review. After they calculated his loss and worked it into his rents, he ended up with approved rents less than those when he bought the building. The rents when he bought the building—you will like this—were \$262 a month, \$230 a month—

The Chair: Mr Shaw, you are out of time here.

Mr J. Wilson: Mr Chairman, we would be happy to give up our time to Mr Shaw.

Mr Shaw: —and an owner-occupied unit, apparently. The third unit was not rented. He ended up with approved rents of \$186.66 a month, \$151.91 a month and \$214.66 a month, all 1 December 1990. That is gone now. Bill 4 killed it. It also killed the phase-in of this loss that this kid has got to carry of \$6,327.62, according to rent review calculations. He has a mortgage on this place. When I heard about it I said: "Declare bankruptcy. What are you going to do?" Anyhow, that is it on that.

Another thing, too, is that on a retroactive increase in rents the tenant has up to 12 months to pay even though he may not be a tenant. He might have moved on to Sault Ste Marie or someplace, but he still has 12 months to pay. The owner has 60 days, under certain circumstances.

Capital is another point I would like to mention too. What happens to the capital expenditures over the next two years, or until this bill self-destructs in January 1993? What happens to them?

The Chair: You have 30 seconds, Mr Shaw.

Mr Shaw: I will leave this one with you. Tell me, what happens to the capital that you have outlawed now by Bill 4? What happens to that capital over the next two years? Tell me. Thanks for the opportunity of being here.

1050

Mr G. Wilson: Welcome to Ottawa, Mr Shaw. I am glad you could make the trip from Kingston. Although I am not sure you will want any subsidy, I will be moving that we provide the subsidy that is allowed for in the standing orders for people who come from outside the location.

Mr Shaw: I am a senior citizen on a fixed income, so I will take any subsidy I can get hold of.

Mr G. Wilson: I see. I was not sure from your remarks that, although you are living in a subsidized building, you did not need it.

I would like to know, in 1982 when you moved into the unit, how you thought the upkeep of the building would be

maintained. In other words, did you not think that your rent would cover the cost needed to maintain a building? As you pointed out, you lived in a house in—

Mr Shaw: In the operating area, yes. I know that the operating costs are going to carry the everyday costs. The new roof—bang. That does not come out of operating costs.

Mr G. Wilson: So in 1982 when you moved in there, how did you think that was going to be accounted for?

Mr Shaw: Through rent increases.

Mr G. Wilson: So you thought the landlord would say, "Well, we've got a roof to repair and I'm going to have to raise your rent a lot higher than normal."

Mr Shaw: Yes. Up until this year, he has not even taken the guideline.

Mr G. Wilson: You live on a fixed income. Do you not think that that might be hard to account for with a larger increase than normal? Is it not more difficult to budget under those circumstances, rather than an orderly progression that would be from annual increases that were more in keeping with what you are—

Mr Shaw: No. I still have enough.

Mr G. Wilson: Oh, you do. But the thing is, I also want to say that not all tenants are in that position and that is in fact why subsidized rents—

Mr Shaw: Yes, but why subsidize me? Why do you not direct the money? Why subsidize everybody when only a few need it or deserve it?

Mr G. Wilson: That is what we try to do, and it was a government before ours that set that up, which we approve of, subsidizing those who need it.

I want to say too about your remark about the transient tenants appreciating zero rent that there might be people like that, just as there are landlords who expect a return from their investment that is unconscionable, in our view and that of a lot of people in this province. You are an exception as a tenant. At least the ones who have come to this hearing have generally approved of Bill 4 as providing them with some stability in their living costs. There are tenants in this province who have faced what are generally considered to be exorbitant increases. In something that is as crucial as housing, we think that there should be some stability here. Do you not think that too? Would you not appreciate that kind of thing?

Mr Shaw: I know that you cannot achieve zero rents. Nobody can. Somebody has got to pay for it. Mr Broadbent seems to be shooting—or used to; he did—for the day when everything was going to be paid for by somebody else. I hope Mr Rae is not shooting for the zero end of that equation.

Mr G. Wilson: Well, I think you are quoting Mr Broadbent incorrectly.

The Chair: Thank you, Mr Wilson. We are going to move right along to Mr McGuinty and Mr Daigeler.

Mr McGuinty: Mr Shaw, I want to thank you for taking the time to attend before us, and I also want to recognize that you have offered something that has only

come before us rarely, and that is you are recognizing merit in the other side's case. I think if we begin with that premise then we will be able to achieve some objectivity in addressing the legitimate concerns of both landlords and tenants.

You expressed some frustration at the outset regarding the fact that we are again addressing landlord and tenant problems, but I think in fairness that is something that we will have to adjust from time to time. This government, like all governments before it, will settle nothing finally, and that will apply and obtain in the case of landlords and tenants as well.

I think if I have a question for you, it would be this: With respect to Bill 4, could you provide us with two or three areas of specific change that you would like to see?

Mr Shaw: Yes. The phase-ins, which are taken care of, I think, in section 100n, or somewhere in there; I forget which section.

Mr McGuinty: I understand.

Mr Shaw: Particularly the phase-ins with regard to the financial losses. When I read something like this, you know, that should not happen to anybody—not even a landlord, if you want to put it that way.

Mr Daigeler: You have taken the trouble to come up to Ottawa from Kingston and I certainly appreciate that. I would like to get a sense from you of how other people feel in your area. Would you say that the tenants in Kingston would generally share your views? What is the feeling in Kingston about Bill 4?

Mr Shaw: The feeling specifically, in what area?

Mr Daigeler: Would you say that your view is shared by most other tenants in Kingston, from the people that you know, or is it your view that you are presenting?

Mr Shaw: I would say yes, most of the—I have been associated for 10, 15 years with the rent review or rent control process or whatever you want to call it. There are good landlords, there are bad landlords. There are good tenants, there are bad tenants. I would say that most of the tenants, when they understand the situation, realize that rent increases are necessary and are part of the way of life. I mean, since man first rented the first cave, he paid for it, and he is going to continue to pay for it, one way or another.

The Chair: Our time has expired for your presentation, sir. Thank you for coming.

Mr Shaw: Would you care for a copy of this order?

The Chair: The clerk will take a copy. The clerk will pick it up from you.

KINGSTON RENTAL PROPERTY OWNERS

The Chair: Next presenter, Kingston Rental Property Owners. We are not going according to the schedule, but I believe it is Joe Barrett.

Mr Barrett: Good morning. My name is Joe Barrett. I am a builder-landlord in the Kingston area. Thank you for the opportunity to speak.

I am speaking on behalf of the Kingston Rental Property Owners association, which is made up of approximately 58

members. These landlords represent approximately 7,000 units in the greater Kingston area; 95% of our membership is made up of landlords with a small number of units. The majority of our members own less than 30 units. Our membership is made up of teachers, shopkeepers, tradespeople and not of large conglomerate landlords that you see in the Toronto and Ottawa areas.

Our association has been operating since 1970 and up until recently had an extremely good rapport with our tenants. However, we find with the present regulations and stipulations this relationship is deteriorating at a rapid rate.

Five of our small landlord members made application for rent increases based on capital expenditures. They used the services of an experienced rental consultant to arrive at an approximate cost of their rental increase due to the capital expenditures and went ahead with the expenditures. One landlord we know of spent over \$200,000, the president of our organization spent over \$80,000, and several others spent large sums as well. In most cases, the renovations were finished or almost finished when this government made the legislation retroactive to 1 October 1990.

The point is, making the law retroactive to 1 October 1990 affects proposed rent increases three months earlier, based on 1 July. How can a landlord continue to operate under the rules and regulations that we believe are in force when a government changes these rules in midstream?

1100

Because Kingston is made up of so many small landlords, we are not as sophisticated and/or educated and do not use the services of property managers. We have been reluctant to use the rent review system in the past, and therefore possibly did not increase the rent to keep up to the market. Bill 4, and the retroactivity of it, made it even more unjust for these small landlords.

Many tenants complain about the large conglomerate landlord, and up until now many of these units have been owned by the smaller landlord. However, with the present regulations these people, not understanding, through lack of education, do not want to take the trouble or the time and maybe cannot afford to use property management and as a result have not necessarily gone to rent review. These people will very shortly be totally out of our rental market and these units will possibly be torn down or taken over by the large landlords. If things continue at this rate, the units may well end up back at the mortgage companies.

We find in the greater Kingston area that the majority of the tenants do not need a subsidy. We realize and agree that there are some tenants who do need some help. Our organization feels it is better to subsidize the needy and not all tenants. We all know and in many cases have tenants in our buildings who are making more income than the landlords themselves. As a result, they do not leave the buildings, because the rents are so low. These people in the past would generally move out and buy single-family homes and move up in the chain. However, with rents being so low, these people do not move out and as a result do not make accommodation available for the legitimate tenant who cannot afford more.

As an example, a tenant in a 900-square-foot apartment in the Kingston area is paying \$500 to \$600 a month in

rent, all-inclusive. If that individual decided to buy a 900-square-foot home, single-family or semi-detached, these buildings in the greater Kingston area are presently selling for around \$110,000. That similar person would pay \$110,000, which would cost him, with an 11.5% mortgage amortized over 20 years, \$1,153 in mortgage payments to carry, \$100 monthly in taxes, \$20 monthly in insurance and approximately \$100 a month for heat. The total cost would be about \$1,373 per month—more than double the rent they are paying.

What is the market cost of accommodation? Why are landlords being made their brothers' keepers? As wages increase, costs go up and the economy expands, our incomes are being eroded. Why would any tenant want to go out and buy a home when he can live in similar conditions for half the price?

This, as you all know, is not good for our housing industry and does not create jobs. The construction industry in the Kingston area is at an all-time low. And we have some rents a lot less than the example given.

There is an 11-unit apartment building at 184 Wellington Street, built by an elderly couple 32 years ago for their retirement. The male spouse died and the building was offered for sale at \$600,000. Prior to Bill 4, there was an offer of \$540,000 on this property. The prospective purchaser heard that government rent review policy might change and removed his offer. These one-bedroom units rent for \$350 to \$400 per month, with a building income of \$51,000 yearly. The total expenses, without management costs or repaying the building cost, are \$18,000. This leaves \$32,000 to repay or service the debt. With 11.5% financing, the maximum mortgage is \$260,000. But wait: The mortgage company will only finance 60% of the disposable rents, or a mortgage of \$156,000. This building did sell for \$352,000, or \$31,000 per unit, far below the replacement \$60,000 cost per unit. This elderly owner received \$150,000 to \$200,000 less than the building replacement cost and as a result is being severely penalized. This is not an isolated case.

The government was concerned that our capital expenditures were of a luxury nature. In many cases, these buildings are 20 to 35 years of age. The air-conditioning needs replacing, with a more efficient system installed, as Hydro is continually trying to tell us to upgrade and make things more efficient. Appliances and roofs are worn out and needing replacing. Hot water tanks are gone; so are floorings, for example carpet and linoleum. Many of these buildings need upgrades. The balconies are cracking, the mechanical systems are worn out, and the tenants are continually requesting upgrades. The landlord has no money to spend on these items.

When Bill 4 was introduced, several landlords were in the process of doing some renovations. All tradespeople were immediately laid off or renovations stopped. This resulted in many tradespeople in the Kingston area being laid off. As a result, renovations do not get done. New appliances do not get installed. Carpeting and painting have all been drastically reduced.

These unemployed workers are also trying to make a living and these people in turn spend money in the

community. This has a continuous spinoff effect. The products purchased and the services required are in many cases related to the jobs that many of our tenants have. If this continues, it may lead to unemployment for the tenants. What good are low rents if they cannot afford to pay for them?

Mortgage institutions today are basing their calculations on 60% to 65% for financing and 35% to 40% for operating costs. At this rate, why would anyone want to continue being a landlord when you can get a much better return with a Canada Savings Bond or Treasury bills? Is it not better to have a small landlord participating in direct ownership of this country than to leave the money in the banks where only big companies can deal with the bureaucracy?

One of our members is now being challenged by Revenue Canada. She owns a small four-unit apartment building. She wanted to write off her losses. Revenue Canada is now saying that there is no chance to make a profit on this building in the future and as a result is saying that it will possibly not allow her to write off her losses as there is no potential for gain. With this threat over her head, as well as everything else that has happened in the rental industry, this person is very seriously considering giving the building back to the mortgage company.

We can see in the very near future that for anyone who has bought the buildings recently and does not have a lot of equity in it, it is not a very good position. It is most unfortunate for any landlord who has bought the building for his retirement, because his equity is being eaten away faster than ownership provides.

Faith in the economy, with government and the free enterprise system, has been what Canada has prospered and succeeded on. As we make laws that infringe on these basic policies, we jeopardize the democratic system we all grew up with. Thank you.

Mr G. Wilson: Welcome to Ottawa, Mr Barrett, another person from Kingston. I am pleased to welcome you here. Of course your presentation covers a wide variety of landlords, as you pointed out, and one thing I was interested in hearing you say is that many of your members were not I guess that familiar with the legislation as it has applied in the past. They did not know what raises were allowed. In fact you mentioned one who had to enlist the services of a consultant for recent ones, but I think you said also that—I took it to mean the legislation is so confusing that they did not really know what it amounted to even prior to this so there were not regular increases in the rents. Is that what you were saying?

Mr Barrett: I think what our organization tried to do was to educate the landlord and make him more aware of what is happening. A lot of our members, being small, have not had the resources or the time. They have invested in rental property as a sort of a means of retirement, participation in the growth of the country, and as a result have not always had enough time to maybe spend on the—call it the bureaucracy, the red tape that is involved in making the proper decisions. We in the association have tried to educate them and bring them up. We have encouraged

them, if they have legitimate costs based on the rent review system, to bring them forward and go to rent review to get their rents to a proper, realistic level.

Most times they have been reluctant, hesitant, hold back because of a lot of restraints, uncertainty of knowing what they are really doing, but they have not really gone to this process. This has kept the rents at unusually low values and in so doing has not helped. Now when you look at it you are being eliminated even more.

1110

Mr G. Wilson: We are hoping—and this is a moratorium, as you know—that we will have more easily understandable legislation for both landlords and tenants. The other thing is I was just wondering, in your educational efforts what do you say about the rights of tenants to affordable housing? What is enterprise involved in as far as providing homes for people?

Mr Barrett: Basically we lost a long time back, I think, when the country led itself drift a little bit farther away and we allowed the enterprise as far as—I am a builder too, and we allow cost to fluctuate with the marketplace. What we have actually done is stopped, that we are going to control where these costs are. If I get you right, your meaning, how do we afford for these other people, basically you are putting it back on my shoulders and saying, from a builder's point of view, let's build cheaper accommodation for them, but based on the bureaucracy of red tape of getting land zoned, getting holding costs, fluctuating costs that can keep going—

Mr G. Wilson: Sorry, no, actually I meant specifically to say, what are the responsibilities of landlords in looking after their tenants to make sure that the housing is of a good standard?

Mr Barrett: Under the previous, we went to our tenants, we asked them ahead of time—

Mr G. Wilson: No, I was thinking of the landlords. I mean, you know—

The Chair: Thank you, Mr Wilson. Mr McGuinty.

Mr McGuinty: Mr Barrett, one of the things that you touched on, I guess, highlights one of the problems inherent in Bill 4, and that is that it does not distinguish between big landlords and small landlords, landlords whose buildings are located in larger urban centres and landlords whose buildings are located in smaller urban centres, and it does not distinguish between landlords with legitimate expenses and landlords with expenses whose legitimacy would be questionable.

I would like you to touch on some of the concerns of tenants in Kingston and how those might be addressed by us.

Mr Barrett: It is hard to get a feeling of. You are referring to what the tenants' concerns are of us as a landlord? In other words, if you went to them with a proposal that you wanted to increase your costs of your rent, but you are going to be basically upgrading, whether it is new appliances or whether it is, say, upgrades around the place, superficial things, not necessarily the structure of the building but maybe to put in more landscaping, decorate

the place in a little more of an aesthetic nature, yes, as far as I am concerned, my feeling has been that the tenants have been quite happy to pay this extra cost based on that they can see the value of what they are getting. If you went to them with the proposal and said, "Here, this is what your extra dollars are going to buy," yes, they were willing to go ahead with that.

Mr J. Wilson: Thank you, Mr Barrett. Just picking up on that, we have had a lot of discussion about small landlords versus large landlords. But would you not agree that on a per-unit basis the arguments of landlords are essentially the same, the arguments that capital costs should be passed through and a number of the other arguments that landlords of all sizes have made, that really when you boil it down to a per-unit basis it is the same principles involved? Because we tend to get caught up in the large revenues of large landlords like Minto, and you end up with some astounding figures, but if you boil that down, I would argue, and I wonder if you agree, that on a per-unit basis all landlords have similar arguments to make.

Mr Barrett: Yes, in a manner of speaking we are similar, the large and the small landlords. Basically when you get into large landlords you get into the high-rises. When you get into small landlords, basically their expertise is more in the smaller units. Kingston is quite an older community and there are an awful lot of buildings that, for the small landlord, the stock needs refurbishing, redoing; if it is not plumbing, electrical, a tremendous amount of things.

I think the flow-through of the capital expenditures is a prime concern. Landlords like to have pride in their own property. Granted, I know they are out there to make money, they are trying to make a living off it, but based on what we have seen with this Bill 4, it is going to be staggered, it is going to be cut back. We are going to be caught on one side by having property standards say, "Hey, you've got to do this fixing up and that." That is true, you are going to have to, but it is the difference between those minimum standards and having a good product out there that people can be proud of, that when they go in and they do live in a place they do not demolish it when they move out.

Mr Tilson: The government, the NDP, has always taken the position that with respect to losses: "Oh well, you can write those off. No problem, you can write them off." I would like you to elaborate more on your comment that one of your members has had a problem with Revenue Canada, that these losses are not going to be allowed to be written off, because if that is the case and that is a trend, then it is a double whammy that the government is doing, with respect to the losses and with respect to the ruling of Revenue Canada.

Mr Barrett: In a way, I hated to get into specifics in this because taxation and that sort of thing is a sort of a touchy issue and I did not want to use any people's names and that.

Mr Tilson: I do not think you have to.

Mr Barrett: Anyway, yes, I feel that Revenue Canada has actually come down—if you are going to write off a loss, they want to see that there is a potential gain in the

near future, whether it is one year, two years or whatever. And we have been going on a feeling where we have been able to write off some losses—and this is not the capital cost allowance, this is direct loss. If the government now, whether you call it the government or Revenue Canada—I guess that is not really the government; it is sort of—if Revenue Canada is actually looking at the cases of these buildings and saying that, "Now we are not allowing this loss because there is no potential gain, based on the fact of similar laws like Bill 4," then it has taken away a lot of the incentive that was there and it is not going to be allowed. People are not going to see these buildings as being any potential gain. They are stuck with them is what they are, if they have them right now.

The Vice-Chair: Thank you, Mr Barrett, for appearing before us. Your intervention was most useful to the committee.

Mr Tilson: Mr Chairman, I would like to speak on a question of information.

The Vice-Chair: Yes.

Mr Tilson: Allegations have been made by some people making presentations to this committee, and specifically members of the government side of the committee, that landlords are making vast profits and have made vast profits to the detriment of the tenants. It has been drawn to my attention that there was a study done by the government last year on that very subject, on the subject of profits of landlords, and I believe that this committee should see that study.

The Vice-Chair: So you are asking that the ministry provide that study. Is that what you are asking?

Mr Tilson: I would like that study as soon as possible, if the study has been made, and I understand it has been. I do not know if there are any government people here, staff people here.

The Vice-Chair: Perhaps we could have someone from the Ministry of Housing come to the table and address that subject.

Mrs Y. O'Neill: While that is happening, Mr Chairman, certainly a new fact has been brought to our attention by the last witness. Revenue Canada is usually quite co-operative in giving out information about its judgements if they are of a general nature. I think this is important, that we know this, is Revenue Canada deciding to have as one of its base points now that properties of a certain quality or size are not going to be eligible as a property gain?

The Vice-Chair: I think that is a very relevant fact. I think we could ask our legislative researcher to get that information for us, Mrs O'Neill.

Mrs Y. O'Neill: Okay.

Mr Tilson: I agree. I think that is as important as the first piece of information I requested.

The Vice-Chair: I think that can be done. Mr Richmond? Yes.

1120

Ms Parrish: My understanding is that you are looking for a study that was done on landlords' incomes?

Mr Tilson: Profits.

Ms Parrish: Profits. I do not think there has actually been a study done on profits. There has been a study, I believe, done by Royal LePage on—

Mr Tilson: That is it.

Ms Parrish: Right. Okay.

Mr Tilson: That is what I would like to see, that study.

Ms Parrish: Yes. It is not quite profits. It is on income, or I guess it is on rate of return.

Mrs Y. O'Neill: Rate of return, yes, that is it.

Mr Tilson: That is fine. Would it be possible to have that to the committee on Monday?

Ms Parrish: I will make my best efforts. I will have to go back and inquire as to the status of the report and to see if I can obtain enough copies between now and then.

Mr Tilson: I really think, Mr Chair, that that study would be most useful to have prior to our going clause by clause.

Ms Parrish: I will do my very best, Mr Tilson.

Mr Tilson: If I had known about it before, I would have requested it. Someone in the audience drew it to my attention that this study was made, or I would have requested it sooner.

Ms Parrish: I will phone back. I will get my staff to phone back and we will make our best efforts over the weekend.

The Vice-Chair: I think, Mr Tilson, your request is useful and we will take the undertaking by the ministry to supply that as important and certainly, if possible, before we get to clause-by-clause, because it is the kind of information the committee needs to make intelligent judgments about the bill.

Mrs Y. O'Neill: I am sorry that I was having such difficulty expressing myself a few moments ago, but it is the financial loss qualification of the income tax return that I want to see if there are new criteria for.

Mr Tilson: Mr Chair, carrying on with Ms O'Neill's request—and I totally support her—I guess while the staff person is here, I believe with this issue—it is unfortunate that it has arisen on the very last day; it is an obvious issue but sometimes that is the way it goes; I am speaking with respect to the tax issue—because of a position that has been taken by the New Democratic Party in the past that these are able to be written off, that losses can be written off, and it may well be that the government was not aware of this ruling or these rulings, I believe it would be useful, Mr Chairman, to have a tax expert present at the green paper discussions on Monday to discuss that concept, because the whole issue of capital expenditures, the whole issue of losses from year to year, I believe that is a foundation of the government's presentation, the New Democratic Party's presentation on how this problem is going to be solved.

The Vice-Chair: Mr Tilson, my understanding is that Monday has been set aside for a briefing by the ministry on the green paper, and as no member of the committee

has any idea what is in the green paper, we do not even know what issues will be presented within the green paper. I have no problem with that request but I would look for some—maybe the parliamentary assistant could help us with this. It is not my decision; it is the committee's.

Ms Harrington: The meeting on Monday is a meeting of this committee with the minister. It is an open meeting, so I would think it would be a good time at that point to have anyone such as this with expertise to sit in on that meeting and then possibly come back later to discuss his concerns with us. But I believe Monday there probably would not be a lot of time to bring this other person into the discussion.

The Vice-Chair: In other words, you are concurring, or not?

Ms Harrington: It is an open meeting.

Mr Tilson: Mr Chairman, if it is impossible—and I do not know the length of the green paper—I am sure that the government members of the committee are. I hear rumours of it but obviously nothing is available at this time. If what I am hearing now is that it is simply physically impossible for a tax expert to make comments to the hearing, to this committee, I would hope that there would be consent of all members of this committee to have a tax expert present to discuss this subject somewhere. I look at the clerk and she is shrugging her shoulders—I do not mean that in a derogatory sense—but I think it is one of the most important issues that has come forward. It has come forward very innocently, but I think that before we deal with making our report we should have a tax expert comment on the ramifications with Revenue Canada.

The Vice-Chair: I understand your point and I agree with you. I am just looking for direction of the committee when that could happen and whether the committee, again, thinks it is useful.

Ms Harrington: I am sorry but I know the agenda on Monday is fairly full. I hesitate at this point to put this person on the agenda for Monday, because I think that we are pretty well full and I would not want to do that without checking with the ministry, but what I said was that since it is an open meeting I would certainly have no problem with this person being there.

Mrs Y. O'Neill: Mr Chairman, we are having a special session, as I understand it, with Dr Thom on Tuesday evening, so I would suggest that we could ask this person to either take a half an hour before or after, and he or she would at that point have had a chance at that point to look through the green paper. How does that sit?

The Vice-Chair: Well, it is a suggestion and it is up to the committee to decide on that. I would caution the committee, however, that this is rather short notice to invite a tax expert and the clerk and the researcher may have some difficulty in contacting the appropriate person and having him be available.

Mrs Y. O'Neill: Not if we are in Toronto, I do not think.

Mr Tilson: The way the three parties have agreed at this stage is that Monday we would listen to the minister

present the green paper; Tuesday, Wednesday and Thursday would be clause-by-clause; the following week we would in some form, which really has not been finalized, deal with the green paper.

I suppose one would say, "Oh well, let's put the tax expert the following week." The difficulty is I quite frankly would like to hear the tax expert—like, I do not want to have to go through clause-by-clause and then have someone in the government say, "Well, no more amendments. You're out of luck," and the tax expert comes the following week and makes some suggestions which the government side of the committee may agree on—they may not—and then be told, "Sorry, you're out of luck." That is my problem of allowing the time set for clause-by-clause to expire and then hear the tax person later.

So I guess I am looking to the government, to the NDP members of the committee, for some sort of guidance, assuming they agree with me, and I hope they do.

The Vice-Chair: The clerk has said she does not think that this is a particular problem, if someone can give her a suggestion as to who that tax expert might be.

Mr Richmond: Can I?

The Vice-Chair: Yes, Mr Richmond would like to—

Mr Tilson: Do you want to ask my brother-in-law the accountant?

The Vice-Chair: Are his fees reasonable, and is that a conflict?

Mr Tilson: I have no idea, Mr Chair, as to who an acceptable accountant would be, whether the staff have recommended people—

The Vice-Chair: Mr Richmond may be helpful here.

Mr Richmond: Mr Chairman, of course it is up to the committee to decide how it wishes to deal with the tax expert issue. One thing I might suggest when we are back in Toronto, or I could phone the office at our break, is we could contact the Institute of Chartered Accountants of Ontario in Toronto. They may have a staff person, an executive director, or they may be able to suggest an accountant who does work for developers and is familiar with the treatment of rental property. We could come back. With Debbie, I could suggest, through the Chair, people that they might suggest. But there might be some difficulty because we are here in Ottawa today and I believe the institute is in Toronto.

Mr Daigeler: It is quite easy to reach Toronto.

Mr Richmond: Yes, that may be an avenue to pursue.

Mr Tilson: Mr Chair, when this person is heard—I realize here we are coming on the last day of the hearings and asking for something very immediately—I just do not want someone coming to me who knows the rules a little bit better than I do and saying: "Sorry, you're out of luck. The amendments, this part of the debate is over. Tough." I just do not want that happening to me. So if it is understood that that will not happen to me, then that could be put off even the following week, I suppose, if we can be flexible enough on that. But that means I would have to have some undertaking from the members of the committee that they will not use that on us.

Mr Duignan: The week of the 25th looks good.

The Vice-Chair: We may be finished with the bill by the week of the 25th, Mr Duignan. We do not know how long clause-by-clause will take, and I think Mr Tilson's concern is that if an amendment to Bill 4 is necessary, he will not have an opportunity to present it and have it discussed at the committee on Bill 4 if we wait longer than the first of next week. That would be correct, I guess, your position. I would suggest to the committee, just looking at the schedule, that if we started, say, a half-hour early on Tuesday morning that would be an opportunity for us to hear the tax expert and then move to clause-by-clause. I do not know if that is a useful suggestion or not. I am looking for direction.

1130

Mr J. Wilson: Your tax person would need more than just Monday afternoon to study it, I would think, both Bill 4 and the green paper.

The Vice-Chair: Well, that may be so, but the committee is committed at this point to starting clause-by-clause Tuesday morning at 10 o'clock. That is a decision of this committee, and if we are going to change that, we will have to do that right now. Mrs Harrington, could you be helpful at all here?

Ms Harrington: As far as I understand, the week of the 25th would be appropriate, some time during that week.

The Vice-Chair: Does that mean you believe that clause-by-clause will still be going on in the week of the 25th?

Ms Harrington: Until the bill is passed, there is still time for amendments at any time.

Mr Drainville: You could introduce them in the House.

Ms Harrington: Yes.

The Vice-Chair: Is that acceptable? Mr Tilson?

Mr Tilson: Someone from the government side, the NDP side, has just said, "Well, you can introduce it in the House." This is a committee that is making recommendations, and if this committee is going to make an intelligent report, I hope it will hear as much information as it can. So I simply do not accept the fact that, "Oh, well, you can make an amendment in the House." Probably we will, but I am looking at this committee making an intelligent report, and if it is making a report without hearing information that it knows it should have, I would hope that this committee would make time somewhere to hear such testimony.

Mr Duignan: I understood that we are not making a report but we are examining a bill and making recommendations back to the House on the bill. And we have witnesses and we have guests here who have come to this committee hearing this morning and we are delaying this.

I would like to move a motion that we would invite a tax expert in to this committee on the week of the 25th.

The Vice-Chair: We have a motion before us by Mr Duignan. To clarify Mr Duignan's remarks, we are not

making recommendations, we are reporting a bill. There are no recommendations; it is being reported.

Mr J. Wilson: Would the government members agree to your suggestion, Mr Chairman, then, of starting earlier on Tuesday morning? No? I fail to understand the inflexibility on that.

The Vice-Chair: Mr Wilson, there is a motion on the floor. I think we know what the government's position is and in the interests of time I think we should be putting the question.

Mr J. Wilson: The motion is for a tax expert on the 25th?

The Vice-Chair: During the week of the 25th, I believe, is the motion. I will call the question. Those in favour of Mr Duignan's motion?

Mr J. Wilson: Just one moment, Mr Chair.

The Vice-Chair: Oh, I am sorry.

Mr Drainville: Just more discussion on this. Let me clarify perhaps some of our position, and that is, we are in the bind of saying that although we do not feel the same need as Mr Tilson obviously does, we are trying to accommodate Mr Tilson.

Interjection.

Mr Drainville: Well, I mean, we do not. That is not a problem, it is just a difference, but we are trying to accommodate—

Mr Tilson: Hopefully you care.

Mr Drainville: Mr Tilson, let's not look at motivations right now. I am trying to figure out how we can accommodate you and at the same time be supportive.

Mr Tilson: Mr Chair, as I understand the motion, and I—

The Vice-Chair: Mr Drainville has the floor.

Mr Drainville: Thank you. Basically, since we do not feel the same as Mr Tilson on this issue, we are trying to accommodate Mr Tilson by saying on the week of the 25th. And the reason for that is we really feel that next week already is so overburdened with the kinds of concerns and the debates that we are going to be getting into around the consultation process on clause-by-clause and we feel that the information that we have received at this point in time is reasonably sufficient to be able to make a disposition for the direction that we are going with on this bill.

So that is some of the background. If indeed we need to have a tax expert and there is one that is mutually agreeable to both sides, then let us by all means have that person come on the week of the 25th.

The Vice-Chair: Mr Tilson.

Mr Tilson: You know, I really do not think that this matter is going to take that long to deal with, and we have extended our times on certain days beyond when we normally sit. I see no reason that we cannot find time some time next week for a tax expert to come and make comments on the legislation in so far as it affects the subject that has been raised, and there may be others. I see no problem with that.

If the NDP are insistent, however, that they will not allow a half an hour next week for this matter to be heard and they are insistent upon the following week, again my only concern is that I do not want some technicality thrown at me, that it becomes an obvious position for an amendment, or whether it is obvious to them and not obvious to us, or vice versa, that an amendment be allowed to our report. I do not want someone coming along with some technicality that, "You had your chance," the previous week. So if there is a condition—

The Vice-Chair: Mr Tilson, so we can clarify this, perhaps I could ask the clerk, who understands the procedure of the House, to clarify the position of a bill going through committee.

Clerk of the Committee: When you are going through clause-by-clause consideration of the legislation, you may move amendments on each clause as it comes up. Once the amendment has been moved and carried, or if there is no amendment and the clause is carried, then you move on to the next clause. You cannot reopen that clause without unanimous consent of the committee.

In addition, at the end of clause-by-clause, the committee authorizes the Chairman to report the bill either as amended or without amendment to the House, and again, that cannot be reopened without unanimous consent of the committee.

Mr Tilson: Thank you, and that was my understanding, and all the more reason why I am concerned that the clause-by-clause debate ends and then the tax expert comes and says, "I recommend to you that the following amendment be made," which may or may not be accepted by the government side or this side, and hence the whole purpose would be useless: Why call in a tax adviser? So if the government side of the House agrees with that position, that would not preclude us from having the right at least to make an amendment. It may be turned down by the committee, but at least allow a member of this committee to make an amendment, having heard the submissions of the tax accountant. If that is agreeable, then I have no problem supporting the motion.

Mr J. Wilson: I just want to remind all members that the opposition just did not cook this up, that it arises directly from testimony that we just heard and I think it is absolutely essential, once again, that we get agreement from the government to allow a tax expert before clause-by-clause.

Mrs Y. O'Neill: May I have the motion repeated, please?

Clerk of the Committee: Mr Duignan moved that a tax expert be invited to appear before the committee during the week of 25 February.

Mrs Y. O'Neill: Before we vote on that, I would like to clarify that my request is separate from Mr Tilson's, and my request involves making a phone call to Revenue Canada. I would presume that that can be done.

The Vice-Chair: The researcher has already undertaken your request, Mrs O'Neill.

Mrs Y. O'Neill: So this is not pre-empting that information for a week?

The Vice-Chair: No.

Mrs Y. O'Neill: Okay.

The Vice-Chair: All right. That seems to have concluded the discussion. Those in favour—

Mr Tilson: Mr Chair, I think we wish to make an amendment to the motion.

The Vice-Chair: Yes, Mr Tilson. Mr Wilson.

Mr J. Wilson: I suggest an amendment to the motion, something along the effect that—we agree with the first part of the motion, that a tax expert be called in on the week of the 25th, but second, that that does not preclude any member of the committee introducing amendments during that week, notwithstanding the status of clause-by-clause.

The Vice-Chair: You have heard Mr Wilson's amendment.

Mr J. Wilson: I will ask the clerk to put it into the English language.

The Vice-Chair: She is working very hard to try that.

Mr Tilson: As you can tell, I do not know a lot of the rules of the committee, but my question is to the clerk, or perhaps yourself. Is that amendment—

Interjection: Constitutionally—

Mr Tilson: Constitutionally correct—constitutionally correct; who knows what that means any more?

Interjection: Under an order.

Mr Tilson: Is that amendment proper under the rules of this committee?

Clerk of the Committee: It would be more proper if it said, "The motion be amended by adding that the committee gave unanimous consent to reopen clause-by-clause, if necessary, after 25 February."

Mr J. Wilson: One second. That the committee give unanimous consent at this point?

Clerk of the Committee: I think that is what you are asking for.

Mr J. Wilson: With the—okay, yes.

The Vice-Chair: Is what you are saying, Ms Deller, that we are giving unanimous consent in advance?

Clerk of the Committee: That is right.

The Vice-Chair: Is that possible?

Clerk of the Committee: Yes.

The Vice-Chair: That is in order?

Clerk of the Committee: Yes.

The Vice-Chair: Terrific. We have an amendment by Mr Wilson which apparently is in order. Further discussion on Mr Wilson's amendment?

Ms M. Ward: I have a question. What does that really mean by opening it up again? Does that mean that everything is open again and things previously agreed to are all fair game for further change?

Clerk of the Committee: If you simply say unanimous consent to reopen clause-by-clause, then yes. If you

want to narrow it down to a specific section, then you have to say that section.

Ms M. Ward: And there is no way of knowing at present what sections you might be interested in.

1140

Mr J. Wilson: We do not know what comments the tax expert might make.

The Vice-Chair: We have an amendment on the floor. Those in favour of Mr Wilson's amendment will signify. Those opposed?

The amendment is lost.

We have a motion by Mr Duignan. Those in favour of Mr Duignan's motion will signify. Those opposed?

The motion is carried.

I think we have done a fair bit here now. I am not exactly sure what. I often get lost in these things, but we have an undertaking from the Ministry of Housing that they are going to provide some information regarding rates of investment in regard—

Ms Parrish: I do not think it will be a problem. It is quite a thick report and we are doing our very best to get it copied by Monday, but, you know, 30 copies this thick—we will do our very best.

The Vice-Chair: And to recap, we are also getting from Revenue Canada the information that Mrs O'Neill has asked for and we have passed the motion. Okay. Everything is straight. Back to business.

PHILIP SWEETNAM

The Vice-Chair: The next presenter is Philip Sweetnam, secretary-treasurer, Relocatable Homes Ltd. Mr Sweetnam, the way we deal with this is that you will have 10 minutes to make a formal presentation to the committee. Following that there will be 10 minutes of discussion with you by the members of the committee done by caucus, each caucus getting precisely three minutes and 20 seconds to do that. You may start by introducing yourself and your organization.

Mr Sweetnam: My name is Philip Sweetnam. I am the secretary-treasurer of Relocatable Homes Ltd. It is a company which has used the modular home concept in the Stittsville area over the past few years to build approximately 270 housing units for Ottawa-Carleton. Our background was in the mobile home business, so our early commitment was to renting the lots and selling the homes. From that we have gradually evolved into using the modular housing business to provide more of the traditional type of housing in the Stittsville area. From that perspective I thought it might be worth while to comment to your committee on a few things that I thought would be common objectives between landlords and tenants.

If you have my presentation, I have outlined five items that I thought we might be able to agree on regardless of the colour of our political hat. Those were: to strive for a cost-effective way of using taxpayers' money in providing housing for Ontario; to try and keep our aging stock of rental units in good and usable condition; to provide a realistic access to people at all income levels; and finally, to try and develop a little bit of a rental partnership where,

instead of a conflict situation, there is a partnership between landlords and tenants.

I thought I would start out with the first goal, which is to do a cost-effective approach. If there is any way that this committee could make it cost-effective for landlords to continue to provide your stock of rental housing, it is obviously less expensive than if you have to do it with the public sector.

On page 2 of the presentation I have outlined for you what has happened with the Ministry of Housing's budget over the past few years. I see from 1985 up to the present it has gone up by about 266%, or about 22% a year. So if you could have more of the housing provided by the private sector it would certainly be less costly.

Below that there are the statistics of what the subsidy is in our communities. I noted that in Goulbourn in a typical senior citizens' housing unit the subsidy is \$350 per unit per month. In West Carleton, where I live, the subsidy gets to \$550. In Nepean, where Mr Daigeler is from, I noted the last rent-geared-to-income housing subsidy was \$723 per unit per month—and understand this is after the tenants pay their share; this is the public subsidy.

I understand there is a commitment to build another 30,000 new units, and based on my interpretation of the budget, \$833 per unit per month would be the subsidy that we have to put in, and I understood there was an upfront commitment for \$100,000 of public investment at the front in addition to this \$833 per unit.

On page 3 of the presentation I am suggesting that it is obvious, looking at those statistics, it is more effective for what we can do to stay in the private sector to do our development.

I would also like to say that, you know, many people feel that business people only wear the hat of the cold, crass businessman. I have taken the opportunity to be chairman of the Mississippi Valley Conservation Authority, and we spend about \$1.2 million of public money in pursuit of viable projects. There always seems to be a shortage of public funds to do the kinds of things that we think are appropriate in the environmental sense that I am sure is valid for each and every member of this committee.

I am saying that the supply of public funds is not unlimited, so if there is any way we can foster co-operation, and that is what I want to talk about later on in the presentation, it would be really appropriate for the best utilization of the provincial resources.

I would just point out that in the scale of things, the \$45 million that it takes to run the rent review machine is similar to what it takes to run all of the conservation authorities in Ontario. The public commitment for all of the conservation authorities in the province of Ontario is about \$50 million, just to kind of put that in perspective. That is not talking about the subsidy portion, that is just the machine of making sure nobody cheats on the system and the like.

I think the second one is a really important one for this committee, and that is trying to keep that old housing stock in reasonable repair. In looking at that, I would just mention to you that the rent increases here in Ottawa-Carleton have not been excessive. The final chart on the back page

illustrates that rental increases for the past couple of years have been 3.7% and 4.1%. That is what CMHC gives us as the average increase here in Ottawa-Carleton. We have not been without the occasional headline-making problem where people have gotten the large rental increases, but on the whole we have not had something that really makes a big dint on the average. We have been below the guideline in the recent years.

1150

I think what I would like to say about how my particular problem comes up is we have a 65-unit mobile home park that was probably built in the early 1950s. It is on a seven-and-a-half-acre plot of land and it is at a stage where sewers are essential to be put into the development. We have never asked for an increase beyond the guidelines that have been set out by the rent review machine.

True, we have gone through putting in a lot of upgrades of septic tanks. We have put in municipal water in the course of doing that, quite an expensive project, but I simply do not have the resources to go ahead and put in the sewer system now. I had gone as far as taking a permit from my township to get the sewers installed, but without being able to pass on some of that capital cost, I do not feel that I can go ahead and put sewers in. I think there is an environmental problem that is there, and we will try and keep it held back, but I assure you it is an imminent problem or we would not have gone to this stage. I hope I can say to you, having gone since 1969 without anything beyond the guidelines, I feel I have earned the title to be looked at as a responsible landlord.

I have said to you what hurts me in particular is the issue of not allowing some form of capital cost increase. What I think the committee, though, should be most aware of, and what I hear from the landlord group that is really going to divert their attentions from future commitments to housing, is the one of retroactivity. I do not care about retroactivity. I have got no orders out there that are going to affect me, but as a person who is interested in my community, who sees the need for rental housing in our community, I want to say to you, look and see if there is not some way you can meet, on one hand, your political commitments and, on the other hand, not really gore people with taking away the awarded rental increases.

Interjection.

Mr Sweetnam: I am watching quite closely, thank you very much. Is there a light that goes on somewhere or something that tells me the time is up?

Interjection.

Mr Sweetnam: I would simply say if there is a way that you could say, "Look, any rent increases that went beyond"—and I have suggested it in this little brief, the figure—"14%, up to that we'll accept those and we won't ask for retroactivity. Beyond that we're going to review all of them." I have suggested there is about 4%.

I think from the other point of view, if you look at this page it tells you 75% of our units that have come on the housing market in Ottawa-Carleton have been condominium units, and they have been the tax-shelter type. These people have the option of opting out of the rental system

by simply selling. I am in the same situation at Fringewood. I have gone through a plan of subdivision. I can opt out by selling. It does not help our housing stock in Goulbourn. So if you can try to make the terms just a little fair, or could I even say perceived as being fair by the rental community, then we can keep our housing stock up, and it is really essential. We in Goulbourn have been sort of the starter housing group and then people have gone up. Now the Ministry of Housing says \$142,000 is an affordable house in Goulbourn.

There are some other things, if you are really interested, in my presentation, and it is difficult to cover all the issues of partnership. One thing in closing: I think you might find that an appropriate way to deal with the issue of rent review might be to fund the individuals rather than to try to restrict rents in all cases. In other words, give people the income to do the rents. Then they can get it where they need it and they do not have to go to a particular community and say, "There's all the the public housing community." Could I close with that, Mr Chairman?

Mrs Y. O'Neill: Thank you very much, Mr Sweetnam. I am very pleased with the five objectives you opened with because I think, if anything in this series of hearings, we have found that the objectives of Bill 4 are not the same objectives that you have listed and that I think could generally be accepted by the population of Ontario.

I am very happy with the way you have talked about partnership because we had a good presentation this morning. As you know, the city of Ottawa made a presentation this morning that highlighted the necessity for partnership in any provision of housing. I know your community, Fringewood, I know the reputation it has and I know that it has a reputation of being affordable. You are talking about Bill 4 and what that will do to that and the message Bill 4 sends to the community. What I would like to ask you is—yours are not quite mobile homes; they are relocatable homes or modular homes—do you see this as being a special kind of housing that needs a certain bill to stand on its own or do you feel that Bill 51 and/or Bill 4 can cover that kind of housing?

Mr Sweetnam: I think it covers the issue quite well, Mrs O'Neill. The issue that we have that is unique to Fringewood is that originally we offered people 35-year leases and as those leases shorten, as I have mentioned in the presentation, the problem comes down that we would like to extend those leases so people can get better mortgage terms. With someone who had a 25-year lease and it is now a 15-year lease, he can only get mortgaging for 10 years, or go the chattel mortgage route, which is very expensive. Again, I say to the committee, if there is any way you can make a little stability in the system so that it is worth my while to extend the leases, then we go on to do that. Otherwise we say, "Look, my only option is we want to go the sale route."

Mrs Y. O'Neill: Which I think is the option of many small landlords as well as yourself.

Mr Sweetnam: Yes.

Mr Daigeler: Mr Sweetnam, the government says: "Well, you don't have to really worry about that limit on capital cost pass-through. This is just a temporary measure and in the permanent rent review legislation that we are going to introduce there will be some recognition of that cost." How would you respond to that?

Mr Sweetnam: That is what Mr Handleman told me when he introduced the original rent review.

Interjection.

Mr Sweetnam: I understand that, and I had a lot of time for Sid Handleman, but I would simply say to you that income tax was introduced as a temporary measure. I do not know how you make the commitment to the landlord community, talking about the partnership, to make sure that they really believe you when you say it is a temporary measure.

Mr Daigeler: That investment that you had planned to do, can I ask the amount? What are we talking about in terms of—obviously we are in the midst of a recession and I think there is an economic impact on the province as well, in terms of some of the projects that are being lost.

Mr Sweetnam: My engineers had come up with approximately a \$65,000 figure for the park that we had planned to do.

Mr J. Wilson: Thank you, sir. You have had this mobile home park for 22 years?

Mr Sweetnam: Yes. I have two developments: Fringewood North for 22 years, and the other one we have started from scratch in 1975, so it is about 15 or 16 we have had it.

Mr J. Wilson: That is the mobile home park, and that is the one that requires sewers?

Mr Sweetnam: The one in the north development, the 22-year-old one, is the one that requires sewage, yes.

Mr J. Wilson: Oh. The government would argue that for 22 years you have been collecting rent and as part of that rent you should have been keeping money aside or you should now have money to meet that capital cost of installing a new sewer system. What is your comment on that?

1200

Mr Sweetnam: Of course, what I have set aside in capital costs has really been by way of maintaining, and I have put good money into maintaining a septic tank system. To maintain, in my mind, you set aside maybe a little bit of money to try and do the status quo things. I have maintained the septic tanks. I do not embarrass anybody by letting sewage get out on the streets or whatever. But I am saying to you, as our community changes—you know, Stittsville is really a developing community. All around us there are houses going in and the density is coming up and that is what is promoting—if it is something I have screwed up on and have not done my work right and I have been falling behind on my maintenance, you have got a good point. You say, "Hey, you should spend a little bit on maintenance or set aside something for maintenance." But I am saying the whole nature of the community is changing.

Mr J. Wilson: That you are now required to put out a large capital outlay on a sewage system.

Mr Sweetnam: Yes, a large capital outlay of the sewers. I tried when sewers were installed in our area to get the Ministry of the Environment to help and it felt it should not help a private enterprise.

Mr J. Wilson: You had an application before rent review? Did you get to rent review with this?

Mr Sweetnam: No, I got the permit from the township and was as far as getting the study from my engineer. As my accountant says, "Thank gosh we got stopped when we did."

Mr J. Wilson: I just have one more question. On page 2, you have that little chart, "Local Statistics of Subsidized Units." We have a "Maximum Rent" column and we have a "Monthly Additional Subsidy." Just quickly reading this, do I add the two columns to come up with the total monthly rent?

Mr Sweetnam: That is the net cost to operate the system. A tenant in Goulbourn, a two-bedroom renter at Goulbourn would pay \$400 a month, but it costs another \$350. All the renter pays is \$400, but to keep the system going you really should add the two up.

Mr J. Wilson: So that the rents that the government feels that unit needs to keep up—

Mr Sweetnam: These are non-profit housing organizations that the senior citizens are in. They are excellent facilities and we need them. All I am trying to illustrate to you—

Mr J. Wilson: But they would be well above market rent if you got the same services, the same unit, if it was not in a non-profit. That is the way I read this.

Mr Sweetnam: Probably \$600 to \$700 would not be an unfair rent in Goulbourn. I have a couple of small houses with 1,200 square feet and I get \$750. It is in the range, but because it is a public institution, it is a little more expensive to operate a public type system than it is to operate the private system.

Ms Harrington: Just a final comment: We want as many different types of housing as possible to work together in this province. Certainly mobile-home-type units are affordable housing and a very good start for many people. I know a couple of members of my family who have lived in mobile homes in trying to get established. I do agree that your five points here are certainly a good starting point.

We did want to give you whatever time was remaining to further explain your brief if you did want to say anything further.

Mr Sweetnam: I think the only thing that I would really like to point out or perhaps enlarge a little on is my concept that if you were going to try and meet the needs of people who have restricted incomes and you need to help them, then I think it would be appropriate to try and help the individuals so that they are not spending a large portion of their income. I think CMHC, as I have indicated in here, says the average Ontarian spends 18%, but when people

start to spend more than 30% of their income on rent, I think that person needs help.

When you do it through the rent review legislation, you are saying, "You landlords help them," where I think it may be a public responsibility. And this does two things. It gives people the independence that they can approach anyone and say, "Look, I would to live here because there's a French school there," or "My husband works down the road and it's a convenient place for us to be." I think that is the most important aspect of trying to get a system that could work well.

As I was mentioning to you, if you look at the ones that Mr Daigeler announced just around July or August, the \$723, I think you could almost go out and rent in Nepean units at \$723 let alone a third of the people are paying market rent and other people are paying figures geared to their income. I am suggesting to you I think we could do it cheaper that way, and somebody has to do the balancing statistics of saying how much additional income that would require.

The Vice-Chair: Thank you very much for appearing before us today.

CANADIAN DEVELOPMENT INSTITUTE

The Vice-Chair: Our next presentation will come from the Canadian Development Institute, Nicholas Patterson, executive director.

Mr Patterson: Has everyone a copy of our brief?

The Vice-Chair: I believe it has been distributed. If you would have a seat, you have had the opportunity to see the workings of the committee and you realize that you have 10 minutes for your presentation and the committee will follow with 10 minutes of discussion. I apologize to you for running a little late, but that is how it goes sometimes.

Mr Patterson: As the Chairman has said, my name is Nicholas Patterson. I am executive director of the Canadian Development Institute, an Ottawa-based, privately funded, non-partisan think tank evaluating government policy in a wide range, including official languages, education, the deficit, US-Canadian relations, Third World debt, etc. Appendix 1 at the back of our brief is a description of our institute.

In addition to the topics that I have cited before, we have done a good deal of research, perhaps more than any group in the country, on the subject of rent control, starting with our book on rent control published in 1985. I must confess, after five years of it, in the end our work on rent control has been a pretty depressing experience.

Why is it depressing? Because when I founded our institute, almost 10 years ago, I firmly believed that research was important and that the truth mattered and if you could just show people and politicians the true facts, then you could contribute something towards change for the better. In fact this has generally been borne out, to one degree or another, in most other areas of our activity.

But rent control has been the outstanding exception. Despite our very wide reach through the media, in publishing far and wide the most factual and comprehensive research on

rent controls and the grave harm that they bring, the situation only grows worse and worse every year in Ontario. For 15 years straight, the rules have been progressively tightened to the final hallucination: where rental owners will now be forbidden even from recovering the cost of actual capital expenditures—for example, a new roof to replace a leaky one—and denied from recovering even a portion of the actual cash losses from operations in cases where rents do not cover expenses. It is nuts. It is truly astonishing. It defies common sense that the provisions for capital expenditure and the financial loss provisions are being cancelled through this ridiculous bill.

The bottom line is this government has introduced a grossly unreasonable and harmful bill, giving Ontario, according to our extensive research, the toughest rent controls in the entire western world, and the government has sought to justify this by a shameless program of falsehoods to mislead the citizenry of Ontario about the true facts of Ontario's rental economy. I will return to this aspect concerning the bill in a moment.

But the first and foremost issue of integrity which committee must consider is whether we need rent control at all. Almost everywhere else, both in Canada and abroad, they have done away with it because controls have been such a disaster. The harmful effects of rent controls, along with the international experience of them and the unanimous opinion of virtually every single international leading economist, these are all documented in appendices attached to our brief.

Mr Chairman, if you and your committee are to be honest in serving taxpayers, then it is imperative that you face the fundamental issue of rent control as a public policy, and if you do not, then this committee is just another government waste of taxpayers' money and a public scandal to boot if you avoid this issue.

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Here is another thing your committee should look into as a matter of integrity. It is the fact that Bob Rae regularly cites the Swedish model, as he calls it, to illustrate what he is aiming at through his program of tighter rental controls along with more public and less private rental housing. An example of his claims along this line was in the Tenants' Bulletin of the fall of 1989, as documented in appendix 5 of our brief.

But the sad part of it is that, unfortunately for the hapless citizens of Ontario, who must rely on Bob Rae for the proper management of this province, he is totally out to lunch and misinformed about the basic facts of the Swedish model. This is shown in the second page of appendix 5 in our brief.

In what sense has Rae got it all mixed up about his vaunted Swedish model? First is the fact that Sweden does not even have rent controls, having eliminated them 15 years ago as a disastrous failure. In other words, he does not know this. Second, it is untrue that Sweden has "a very small percentage of private ownership and a very large percentage of non-profit housing," as Rae avers. Third, Rae seems to be under the delusion that Swedish non-profit/co-op housing is basically a government-funded operation similar to our own ridiculously expensive and

massively subsidized co-op housing program. This too is not true, as documented by Sven Rydenfelt in the Fraser Institute paper of 1981 in our brief.

Mr Chairman, do you not agree that this committee should look at Rae's Swedish model and get the facts so we can see whether this model supports rent controls and subsidized co-op housing, as Rae claims, or whether Rae has just goofed up and got all his facts wrong? That is the truth of the matter.

Getting down to the specifics of this bill, we need to get some integrity into how this government is promoting the legislation. It is our proven contention, documented fully in our brief, and I have noticed that many others have said the same thing before your committee, that the government is engaged in a shameless program of falsehood, claiming all kinds of widespread abuses under the current system in order to mislead the public about the need for a radical tightening of rent control rules as part of this bill.

For example, Mr Chairman, how do you personally deal with the fundamental falsehood underlying this bill, clamping down on rental owners to prevent "gouging rent increases in excess of 100%," to use Rae's and Cooke's own words? This, when the government's own Housing ministry statistics show that there are only 85 rental households in the entire province with 100% increases in a year. That is out of 1.2 million; 85 households out of 1.2 million. That is less than one in 8,000 households which received increases of 100% in a year.

The Vice-Chair: Mr Patterson, if I might be helpful, you have about a minute.

Mr Patterson: Yes, well, I think this will take a minute and a half.

Mr J. Wilson: We would be happy to give Mr Patterson our time.

Mr Duignan: We would be happy too.

The Vice-Chair: You have six minutes longer.

Mr J. Wilson: It is quite an informative brief.

Mr Patterson: My question to you, Mr Chairman, is, should your committee not look into this and at least set the record straight by pointing out that rent increases in Ontario over 14% account for less than 1.5% of tenants in a year? In other words, this bill is based upon false premises. It is full of baloney and promoted by falsehoods from the Premier of this province and it is a disgrace.

Another crucial area of dishonesty about this bill: Part of the rationale of this bill, cited ad nauseam by Messrs Rae and Cooke, is the issue of "flipping," that is, multiple sales of apartment buildings which purportedly account for widespread rent increases. False. This is the rationale for cancelling these financial loss provisions of the existing law which allow supplementary rent increases for a new owner of an apartment building who is having actual cash losses.

But the flipping allegations, like so many of their claims, are simply false, as proven in a study by the city of Toronto, adopted by the city council in October 1989. Anyone can get a copy. This is documented in our brief, based on this report. This report clearly proves that there is

very little flipping, as outlined in our brief, and consequently this bill is based on false premises. It is ridiculous.

Should you people not—and I am asking you, Mr Chairman—deal with these falsehoods? Should you not look into it and see, is it true or is it false? Are the fundamental bases of this bill false? Is that not important for your committee? Would you agree that you should do this, Mr Chairman? I am asking you. Do you not think, Mr Chairman—I am addressing you, a direct question—it is incumbent upon you and your committee to look at these allegations which are the basis of the bill and see whether they are true or false? Is that not basic, Mr Chairman? Can you tell me what you think of that?

The Vice-Chair: I can tell you that the Chairman only speaks for the committee on—

Mr Patterson: I am asking your opinion, as a Chairman, whether you think there is any sense in what I am saying.

Mrs Y. O'Neill: As a point of information, Mr Chairman, I think we have asked for definitions of flipping, we have asked for actual statistics on this, what we consider exaggerated situations, so I think, sir, we have begun to do this, but we have not got the answers yet.

Mr Patterson: Well, why did you not start 10 years ago when all this BS about flipping started?

Mrs Y. O'Neill: Well, I—

Mr Patterson: This has been going on for decades.

The Vice-Chair: Order.

Mrs Y. O'Neill: Very few of us, in fact none of us, were here 10 years ago.

The Vice-Chair: Just continue with your presentation, sir.

Mr Patterson: I would like to comment on what the member has said.

The Vice-Chair: She has an opportunity to ask some questions following.

Mr Patterson: I just do not understand the game you guys are in. It is ridiculous.

Mrs Y. O'Neill: That is rather disrespectful.

Mr Patterson: Of course it is disrespectful, because citizens of this province have growing, grave disrespect for the political leaders of this country and this province. Of course it is disrespectful, and it is meant to be, because the public has little respect for the political leaders of this province, growingly. That is a fact.

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Mrs Y. O'Neill: That may be your opinion.

Mr Patterson: If the shoe fits wear it, Madam.

On a final point, from a purely political standpoint—in other words, if you are not interested in the merits, if you are not interested in the facts, if you are not interested in the welfare of this province—on a purely political standpoint, in other words getting elected, is it not about time you politicians finally woke up and smelled the coffee about rent control? Why do you think England, France, Cuba, the Soviets, the Chinese, along with other provinces in Canada, have turned or are turning away from regulated

rents? The reason is simple: These other politicians elsewhere have come to appreciate that the public now understands the folly of rent controls as a silly, unworkable, disastrous scheme with harmful side effects.

That is my brief, Mr Chairman.

The Vice-Chair: Thank you, Mr Patterson. The Progressive Conservative caucus would have about a minute, the New Democrats about a minute and the Liberals about three minutes.

Mr J. Wilson: I think we will pass, Mr Chairman.

Mr Abel: We will pass too.

Mrs Y. O'Neill: I am sorry, Mr Patterson, that you have decided to give such a sweeping statement to every politician who exists and who is serving. Some people, I think, do deserve some qualifiers on some of those statements you made, the same as some tenants and some landlords. You cannot paint every single person in any situation with a brush, and I am sorry you chose to do that with politicians.

I wanted to say to you that I did appreciate—

Mr Patterson: I would like to respond to that.

Mrs Y. O'Neill: Well, sir, if I have only got three minutes, you have had some time.

Appendix 6, I think, is an excellent appendix and I am very glad that you have stated this clearly, as you have. I think it is the clearest statement we have had as far as graphics go, because Bill 4 does not do what it is intended to do and I think you have shown this, that most of the people in this province will see no difference in their rents with Bill 4, because 96%, as you are suggesting and which is an accurate fact, are under the guidelines and there are 74% under 4.6% in this province. So we see that the people's rents are not all going to change, as Bill 4 seems to send the message out.

Mr Patterson: Yes.

Mrs Y. O'Neill: That distresses me greatly.

I wanted to tell you, if you were not here earlier this morning, that you are in total agreement with what I consider another very excellent source, and that is the city of Ottawa's housing department. "The proposed provincial changes to rent review will add further to the uncertainty and problems concerning the future supply of affordable rental units." That is another point that you made very clearly and I think it is true. It is the message of Bill 4 that is so difficult.

I think those of us who have been in the Legislature a shorter time or a longer time know that Bill 51 does have its difficulties and I think we would work towards those. But Bill 4, in my mind, is a very big blimp and it also is a very bad signal to the economic development of this region and the entire province.

So I am sorry, sir, that we got off to a bad start, because we do agree on some fundamental issues.

The Vice-Chair: Thank you, Mr Patterson. We certainly appreciated your intervention this morning.

Mr Patterson: Thank you.

The Vice-Chair: For the committee members, there is at least one small item of business. The Ministry of Housing

has requested that we permit it to use the names and addresses of the presenters so that it may distribute the green paper to all of those who expressed interest in these hearings, and I trust also those who asked to be on our entire contact list. I need a motion from the floor for the committee to release that list to the Ministry of Housing.

Ms Harrington: I would so move, Mr Chair.

Clerk of the Committee: I just need agreement.

The Vice-Chair: Or agreement.

Mrs Y. O'Neill: Is this to be done Monday?

Mr Tilson: What is the motion that you wish, Mr Chair?

The Vice-Chair: We need, Mr Tilson, to authorize the clerk to give to the Ministry of Housing the committee's contact list so that the ministry can distribute the green paper to all those who are on the committee's list. The ministry has no access unless we provide authority for it to have the list.

Ms Harrington: I would assume it would be handled—

The Vice-Chair: If we have agreement, we can move on from there.

Mrs Y. O'Neill: Can we ask, is this going to be done Monday? It is going to be released to them at the same time as it is released to the general public? I would hope that it could begin to be posted and put in the mails on Monday.

The Vice-Chair: I cannot speak for the ministry, maybe Ms Harrington can, but we can start the process by allowing the lists to be available to it.

Ms Harrington: We would like to turn over the list today or Monday at the very latest.

The Vice-Chair: I take it I have consent?

Mr Daigeler: What are the precedents for this in other committees? Can you ask the clerk this?

The Vice-Chair: I could ask the clerk. What are the precedents for this, giving the list to the ministry?

Mr Tilson: Does it matter?

Clerk of the Committee: In general, a contact list remains a confidential document for committee use only. I would have to check with other committees and other clerks to find out in fact whether a list has ever been released for this purpose in the past.

Mrs Y. O'Neill: This whole thing has been very—

Mr Daigeler: Just a minute. You have been clerk for a while. You are not aware of any—

Clerk of the Committee: I would have to check with the other clerks.

Mr Daigeler: According to your own experience, it is—

Clerk of the Committee: In general, a list like that remains confidential for committee use only. The reason for that is there are private names, addresses and phone numbers.

Mr Drainville: On the same point, I was speaking with two or three landlords this morning, Mr Chair, and I just assumed—and I must say it was a total assumption on

my part, because I am new; I would not have known this—that the ministry would be sending these papers. The landlords I was speaking to were very interested in receiving that and being part of the consultation process. I do not know whether we are between a rock and a hard place here, but it just seems to me to make good sense to provide them with the very document that they are so interested in. If we do not do that, then we will have to send letters through the committee to ask them to go back to the ministry.

Interjection: Mr Chair—

The Vice-Chair: Just one moment. If I could be perhaps helpful here, I also know there is a lot of interest in having this green paper distributed. Perhaps we could release it to the ministry on the proviso that it is only used to distribute the green paper—

Mrs Y. O'Neill: Yes, that is a good.

The Vice-Chair: —to the people who should get it and the ministry will not use it for any other purpose whatsoever. Would that be acceptable?

Mr Daigeler: I would like to put on the record that I have some grave reservations about this. Obviously this is a government paper and has a particular policy priority. I think if the legislative committees are going to do that, they probably should send then the reactions to these particular papers from the other parties as well. I am just here today to substitute. The committee might want to do that, but I think if anyone is interested to get information from the government, all they have to do is call the Ministry of Housing or call the government. I think we are a legislative committee and we are not here to do the work of the government.

The Vice-Chair: Mr Daigeler, unfortunately you have not been with us through this period and we are dealing in a rather different procedure here where we are actually dealing with two different but related subjects almost simultaneously, the hearings on Bill 4 but also the permanent legislation being determined upon the green paper that is to be announced by the Minister of Housing on Monday. All groups, to my knowledge, that have come before us have been very interested in the green paper issues and at times I think it was disconcerting to this committee somewhat that people sometimes tended to address what might be considered green paper issues rather than Bill 4 issues. Because of that, there is a direct relationship between presenters and their interest in this particular subject. I recognize your difficulty with—

Mr Daigeler: My point was that I am sure that people would be interested in the reaction to the green paper from the two other parties as well.

The Vice-Chair: Well—Mr Tilson.

Mr Tilson: Mr Chair, I do not, quite frankly, object to releasing information to members of the public. What I do object to and what our party has objected to from the very outset is that we must remember the original terms of reference of what this committee was to do, and this committee was set up to comment on Bill 4. All of a sudden, Bill 4 has become redundant and we are now into a green paper discussion. So I wanted to reiterate, our party's position is

that the whole thing is a shambles, it is a mess. But certainly for the purposes of releasing information and making as much information to the public as available, with that proviso our party would consent to the releasing of the list.

Mrs Y. O'Neill: I feel that we talked about the green paper so often in our discussions that people are curious. But I do feel that releasing names to a ministry, people who came before us, we did not say we were going to do this, we never got their permission, and I have some difficulty with that.

I also would like to suggest that we use the same method that was used with the select committee on Ontario in Confederation, which I think has been quite effective. It did take a little bit of time, maybe we have learned from that distribution, but we did get it into the constituency offices and we could certainly give that message to whoever wanted to know about this, that it will be in their own MPP's office. I think that gives a fair way of distributing any government document that we want response to, that every member of the Legislature then has the opportunity to be contacted and to be part of the discussion purposes.

So I would suggest that I do not support this motion the way it stands this morning.

Mr Duignan: I could maybe suggest a compromise here. If the clerk could get over the number of people who are on the mailing list to the ministry, and say it is 300 or whatever the case is, and they do up 300 envelopes with this particular information in it and get it over to the clerk of the committee, her office can put the labels on it.

1230

Mr Daigeler: I do not think the point that I am making is being understood. It is not a question of making the information available. Of course the information should be made available, and it is the minister's responsibility to make it accessible inasmuch as possible. The point is that this is a legislative committee that represents all three parties, and if we are giving the government that privilege to use the list of the presenters, that privilege should be given the two other parties. If you wish to extend that to the two other parties, fine, no problem.

The Vice-Chair: I am having some difficulty getting a sense of exactly where we are at here.

Ms Harrington: Maybe I can try and clarify. I do not understand Mr Daigeler's concern with regard to three parties. This is a committee of three parties, and certainly—

Mrs Y. O'Neill: But the paper is not a three-party paper. That is the simple fact of the matter.

Mr Daigeler: Right. It is a government policy paper.

Ms Harrington: Which people would like to examine, yes.

Mr Daigeler: They have every right to do so, but it is not the legislative committee's responsibility to make only the views of one particular party known.

Ms Harrington: Whatever is the wish of the committee.

Mr Duignan: Let's withdraw the request, Mr Chairman. It is quite obvious that the Liberal Party does not

believe in open government or does not want to get the information out there. So we withdraw the request.

Mr Daigeler: Mr Chairman, on a point of order.

Mrs Y. O'Neill: I suggested another method. Noel always has wonderful remarks.

Mr Daigeler: I specifically said that if we give the privilege of providing that information through the legislative committee to one party, we should give it to all three parties.

Mr J. Wilson: Directly to the motion—

Mr Duignan: There is no motion, we withdrew it.

Mr J. Wilson: Withdrew the motion?

The Vice-Chair: Actually, it was never a motion to withdraw, it was a suggestion—

Mr J. Wilson: Well, directly to the concept, all I would like to say is we will reconsider our position too in allowing the ministry to have the list and distribute the green paper, because when you come to think of it, we had a number of witnesses appear for us and quote out of recent Ministry of Housing bulletins and brochures. And if the green paper is going to be written with the same socialist slant and pap that we have seen in some of the brochures—

Interjections.

Mr J. Wilson: —then it may very well turn out that it is political propaganda, and we would not consent to a legislative committee ever, ever indulging in political propaganda.

Interjections.

The Vice-Chair: Order. I think that settles the matter. Moving on—

Mrs Y. O'Neill: Mr Chairman, so the distribution is in the hands of the Honourable David Cooke, is that correct?

Interjection: Yes.

Mr J. Wilson: But you cannot give him the legislative committee list, even though you have it. You cannot give it to him.

Interjection: No.

Mr J. Wilson: Right, okay.

The Vice-Chair: That is the property of the committee. The ministry will no doubt have some names, they are public knowledge.

Anyway, I think that settles that. Moving on—

Mrs Y. O'Neill: I would like to request that we get a copy of it in our constituency office, if that has not already been determined.

The Vice-Chair: I think that has already been determined.

Interjection: Yes.

Mr Abel: In a somewhat different vein, it has been brought to my attention that we did have some presenters who had to travel to Ottawa and I was told that each day we have to make a motion if we want these people to be reimbursed. So I would like, if I may, Mr Chair, to move that travel, meal and accommodation expenses incurred by the following witnesses in travelling to Ottawa for these

hearings be paid by the committee: Etienne Saint-Aubin, Joe Barrett and Howard Shaw. I do not think I missed anybody.

The Vice-Chair: Is it the wish of the committee that the motion carry? Carried.

Mr Abel: Thank you.

The Vice-Chair: The clerk informs me that members should be checked out of their hotel rooms and down in the front lobby for 1:30 this afternoon for transportation to the airport.

I would like to thank the committee. This is the final day of public hearings. For virtually all of us it is a new experience, either in opposition or in a new role or just being plain new members of the Legislature, and I would like to commend the committee on how hard it has worked through this period and I also would like to thank the staff. We have had the Hansard staff, the people who have travelled to do the translations; everyone involved. This is a major sortie out into

the province and they have done an excellent job, and would like to compliment the clerk. So with that I will adjourn the committee until Monday.

Ms Harrington: —when we will see your smiling face again.

The Vice-Chair: And as Ms Harrington said, we will see all our smiling faces again Monday morning. The committee begins, as I understand it, at 10 o'clock. For members who wish, there is a lockup at 8 o'clock, from 8 to 10 provided by the Ministry of Housing for a pre-briefing on the green paper, or an opportunity to peruse the green paper before the briefings start I guess would be the better way to say it.

Interjection: Which committee room?

The Vice-Chair: Committee room 1. Thank you.

The committee adjourned at 1238.

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